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Daily Report
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Continued Reaction to U. S. Supreme Court Ruling

Andean parliament presidents from Bolivia, Colombia, Venezuela, Peru, and Ecuador attending a subregional meeting "strongly rejected" the U. S. Supreme Court ruling that empowers U. S. federal agents to kidnap people who have cases pending in the U. S. justice system and take them to trial in the United States. The parliamentarians argue that "the ruling denies the respect countries should have for one another and nullifies extradition treaties between them," reports Quito radio.

Nelson Mery, the director of the Chilean Investigative Police, told Santiago TV that if the U.S. Supreme Court ruling in the Alvarez Machain case were carried out in Chile it would "represent a crime of kidnapping or abduction" and the police would have to arrest those involved "immediately."

Haiti

Port-au-Prince TV carries the speech by Prime Minister Marc Bazin to his newly appointed cabinet. He first addresses the "merciless" embargo and says it "is not and cannot be the solution to the crisis." "It is unfair, inefficient, simply devastating" and "will only make frail the mediators' efforts." He supports a negotiated solution and promises "the government will do its best to convey its honesty and to help the OAS and the other parties give up the path of imposed solutions and give what has been negotiated its chance." Bazin says to the new cabinet, "You must work for the future by reinforcing and widening the institutional scale of democracy..." Bazin defines the cabinet's tasks as "land reform, the reform of public administration, the reform of justice, a plan for fighting against drugs and corruption" and says "we are expecting that this task will be completed in less than 180 days." Bazin then outlines a plan for the creation of employment which will include four phases: "A social phase; an ecological phase; a phase of direct credit to small- and average-sized firms; and a phase of support to the Armed Forces of Haiti." Also expected is a 1 July Council of Ministers meeting on the "production of a program of minimum action" for the social phase of employment creation. Bazin announces the formation of a committee under the supervision of the minister of finance which is to "release new resources and then to reduce expenses." The committee is to present a report 1 July.

Mexico

Mexico City TV reports that "the Mexican Foreign Secretariat will ask the United States to extradite the two U.S. policemen who kidnapped" Mexican citizen Teodulo Romo Lopez. Also, the Attorney General's Office has "consigned to the courts three Mexican policemen involved in the kidnapping and transfer" of Romo Lopez.

Panama

Panama City TV reports President Endara has claimed he is "responsible for the Plaza Porras incidents, and if the public event was criticizable—in fact, a high-ranking official of my administration said it was a stupidity... I assume full responsibility for the decision." Endara said that what happened at Plaza Porras as far as the National Police are concerned is part of another investigation. Endara stated, "Judging from the report and information the government and justice minister personally gave me," the policemen under investigation "are guilty" of having "failed to carry out the appropriate measures and to enforce their authority to protect lives." Panama City TV also reports on legislators' reactions to Endara's statements which were viewed as a "surprise." According to politicians, Government and Justice Minister Juan Chevalier should be sanctioned, as well as Menalco Solis, executive secretary of the Public Security and National Defense Council, the report adds.

Brazil

In a speech to the nation, carried by radio and television and published in O ESTADO DE SAO PAULO, President Fernando Collor denied charges that he had been warned of government "irregularities" and "interference in the electoral process." Collor said he would carry "to the end...the banner of the struggle against corruption." Later, in a meeting with journalists reported by Rio de Janeiro TV, Collor said he had a "mandate" that he would "fulfill...until the last day."

O ESTADO DE SAO PAULO reports that former government leader Renan Calhieros "warned" President Collor that Paulo Ceasar Farias, the treasurer of the presidential campaign, was involved in attempts to "fix" the election results in the October 1990 elections in the State of Alagoas.

Andean Parliamentarians Reject U.S. Court Ruling

PA2206163792 Quito Voz de los Andes in Spanish 1130 GMT 22 Jun 92

[Text] Andean parliament presidents ended their subregional meeting by emphasizing the need to strengthen the integration process. At the end of the meeting, the delegates from Bolivia, Colombia, Venezuela, Peru, and Ecuador signed the Quito Declaration, which highlights the importance of integration for our peoples. One of the resolutions commits the Andean foreign ministers to making periodic reports to their respective congresses regarding progress toward integration. The delegates from Bolivia, Colombia, Venezuela, Ecuador, and Peru agreed to systematically exchange legislative information among all member countries as a means of reactivating regional integration and cooperation intended to constitutionally and legislatively bring together and strengthen the integration process.

The Andean parliamentarians met at the National Congress on 18 and 19 June to seek ways to strengthen subregional integration. The parliamentarians expressed their full support for the efforts of Peruvian political parties to reestablish democracy. They demanded that the Peruvian Government promptly implement the agreements made at the OAS meeting in The Bahamas.

The parliamentarians strongly rejected the U.S. Supreme Court ruling that empowers U.S. federal agents to kidnap people who have cases pending in the U.S. justice system and take them to trial in the United States. The parliamentarians argue that the ruling denies the respect countries should have for one another and nullifies extradition treaties between them.

The parliamentarians also agreed to address the European Parliament and the individual parliaments of all European countries to inform them of Their disagreement with the restrictive policies approved by the EEC to levy import quotas and tariffs on bananas from Latin American countries.

IDB Official on Economic Adjustment, Development

PA2206195892 Caracas Venezolana de Television Network in Spanish 1600 GMT 22 Jun 92

[Report by Geovanny Daboin in Caracas]

[Text] Latin American economy ministers have agreed to carry out macroeconomic adjustment programs to reduce inflation and launch the region's economic development. The meeting was held on 20 and 21 June at the (Albure) Hydroelectric Dam, and it concluded with a lunch hosted by President Carlos Andres Perez at the Miraflores Palace prior to a news conference in the Ayacucho Room.

Enrique Iglesias, president of the Inter-American Development Bank [IDB], attended the meeting with Argentine Economy Minister Domingo Cavallo, Brazilian Economy Minister Marcilio Marques Moreira, Chilean Minister of Finance Alejandro Foxley, Colombian Minister of Finance Rudolf Hommes, Mexican Secretary of Finance Pedro Aspe, Venezuelan Minister of Coordination and P Planning Ricardo Haussman, .

[Begin recording] [Unidentified reporter] Was there any consensus in the evaluation?

[Iglesias] Everyone agrees it is necessary to continue managing macroeconomic policies to reduce inflation even though we will encounter all kinds of problems along the way. The policies were discussed, and everyone agreed we must find ways to reduce the size of the state and make it more efficient—not weaker, only more efficient. We talked a lot about international policies, the Uruguay Round, and the progress achieved in integration. The admirable thing is that we have six countries that represent an important percentage of Latin America, practically 80 or 90 percent, and they are all more or less going in the same direction—albeit at different levels. [end recording]

Referring to Venezuela, the overall impression is that the economy shows good signs of recovery and growth, despite the country's current situation.

Dominican Republic

U.S. Supreme Court Decision 'Most Harmful'

FL1906183692 Santo Domingo Radio-Television Dominicana Radio Network in Spanish 1600 GMT 19 Jun 92

[Station commentary: "The United States Court"]

[Text] The U.S. Supreme Court's decision has caused an international commotion. To give legal sanction to kidnappings of persons wanted by U.S. courts in other countries by U.S. police officials has left all nations with their mouths hanging open. Mexico, the closest neighbor of the United States, has taken the lead in the discussion and in direct confrontation. It is true that not even during the years of the big stick policy did the United States dare to do such a thing.

We do not want to emphasize this matter any more than well-known local and international jurists have. We think the matter has been discussed more than enough, and that this is perhaps the most harmful ruling ever handed down by any court.

Luckily, the United States has shown it has an immense capacity for rectification. That is undoubtedly the only opportunity weaker nations will have to confront this ruling by the U.S. Supreme Court.

Haiti

Bazin Gives Reason for Accepting Appointment

FL2206160092 Port-au-Prince Radio Nationale in Creole 1300 GMT 22 Jun 92

[Text] Mr. Marc Bazin has told Julio Hyacinthe the reasons that he has accepted this post [of prime minister].

[Begin Bazin recording] (?The reason) I have accepted this post is to see how I can help the people, to see how I can work for them. I know that they are in confusion, poverty, and a difficult situation and that we cannot leave the country entangled. We will therefore try by all means at our disposal to see how we can appease passions so the country can move forward, to get jobs for the people, to reduce the cost of living, and to give everybody the hope that Haiti's future will be better. [end recording]

Bazin Speaks at Installation of New Cabinet

FL2306004592 Port-au-Prince Television Nationale d'Haiti in French 1514 GMT 22 Jun 92

[Speech by Prime Minister Marc L. Bazin at the National Palace in Port-au-Prince on 22 June 1992—live]

[Text] Mr. President of the Senate, Mr. President of the House of Deputies, Messrs. Members of the office of the two assemblies, Messrs. Parliamentarians, Mr. President of the Court of Cassation, Mr. President of the Court of Accounts, Mr. Commander in Chief, Messrs. Members of the high general staff, ladies and gentlemen: This government, which I have the honor of inducting this morning and of presenting formally to the nation, consists of 12 ministers and 13 state secretaries. All social strata including the political parties, the civil society, and the private sector have agreed to participate in the formation of this cabinet and to make their contributions to it. It is perhaps the first time in all the history of our country that a real coalition government has been instituted, based on an identical reading of the nature of the sociopolitical crisis the country is experiencing, an analogous conception of the practice of the game of parliamentary democracy, and a common willingness to assume knowingly the risks of managing a social, political, and economic juncture that is exceptional for many reasons.

First, it is exceptional, even in view of the nature of the crisis, which opposes forces bearing considerable social weight. It is also exceptional in view of the ambition of the mandate that has been entrusted to us, which is to contribute to reconciling the nation with itself, and essentially, to redressing the harmful consequences of a long period of accumulated misunderstanding and isolation. Finally, it is exceptional in view of the time limit granted us for the completion of our mission. This time limit is flexible, but not indefinitely renewable. [applause]

The country, bewildered but attentive, is impatient to see us at work. Many people hope for miracles. However, we have very little means. The political, administrative, social, economic, and financial fields on which we will have to build are deeply mined with the fractures that marked each of the major steps in the slow, painful development of the past six years, between more than a generation of presidency-for-life regimes and the establishment of a new order. Today, we are still as poor, if not poorer. In spite of, or perhaps because of, the cascade of governments that have followed one another in power since 1986, none of the generous reforms on which definitive protection depended have been conducted well. Our public administration has degraded, the political sector is today frankly divided into two, and there is no longer on one side, the progressive people and on the other side, the conservative ones. The division today is of Manichaean nature. There are the good people on one side and the wicked ones on the other side. And as if all those misfortunes were not enough to bring us down! The OAS, the most prestigious and the most respected of the regional organizations, believed it had, in order to save democracy in Haiti, to order a merciless embargo against our country. It has been obvious from the outset that the embargo arises out of perceiving the problem of democracy in Haiti in the wrong terms. The embargo is not and cannot be the solution to the crisis. It has been eight months since this terrible test has lasted. Some 34,000 Haitians took to the high seas. Hundreds of factories had to be relocated abroad. More than 100,000

jobs have been lost. Some 3,000 more tonnes of trees are cut every month and everyday that goes by, the industrial, agricultural, ecological web of the country is torn out. Certainly, the OAS has the perfect right to help the people in the continent to seek and find, the way to democracy. However, we reject the embargo as a method. It is a discriminatory measure. It is unfair, inefficient, simply devastating. By maintaining the embargo for eight months, far from getting the viewpoints closer, it has hardened the positions of the main protagonists. And as the measure will last, it will only make frail the mediators' efforts.

By imposing it from the outset, the OAS has given the impression—rightly or wrongly—that through the embargo it was more concerned about dictating its solution than about facilitating a true compromise solution among all the parties on the basis of dialogue and concerted action. Under these conditions the embargo, the socioeconomic effects of which are as devastating as they are unjustified, led to a political deadlock. Despite its numerous positive aspects, the Washington Agreement was declared unconstitutional and proved to be impracticable. Then, in view of the many kinds of damage caused by the embargo and in the absence of any new initiatives that could disentangle the situation in a coherent and viable manner, could we, should we Haitians, patriots and democrats, just cross our arms and wait until the inhuman and terrible measure finishes its slow and sinister work of destitution and suffocation and bring us—on the rubble of a ravaged country—the deliverance under the [words indistinct] of democracy? The refusal of the fatality of settling the crisis by the absurd and by disaster was, in fact, the spirit that roused and inspired the authors of the Villa d'Accueil agreement.

Then, ladies and gentlemen ministers, there is the sense of the thought processes that will guide your government. We want to offer all parties an additional chance to open a new space of true dialogue for a negotiated solution because the maintenance of the current status quo would be a harmful and dangerous game for our country. The government will do its best to convey its honesty and to help the OAS and the other parties give up the path of imposed solutions and give what has been negotiated its chance. [applause] This is what I think, ladies and gentlemen ministers, should enlighten you—if this was still necessary—about the extent of the challenge on which you have agreed to embark and which your government will have to take up. This means your government is not and will not be like the others. It will need—even more than any other government—the spirit of cohesion and the ambition to go along with and to achieve unique, exalting, and difficult work, unprecedented in both history and magnitude. We then will have to agree to sacrifice our personal ambitions and silence the ideologies to bring victory to the general interest. [applause] We will need to show patience and perseverance. We will constantly have to explain, to clarify, to convince, to redo the work as often as necessary, and not to let ourselves be discouraged, either by intransigence or by grandiloquence because the normalization of the political and economic situation of our country unavoidably goes through a peaceful and negotiated solution to the institutional crisis.

Those are major stakes and no responsible political man can afford to treat them—with impunity—as the sole concern of his emotions or personal interests. However, reconciling the nation with itself, dressing its wounds, and helping others to help us, are only a part of the mission of your government. Because while awaiting a solution to the institutional crisis, the country cannot stop living. We must move forward, resolutely, with every means. I am depending on the patriotism of each one of you. You have, we know, great ambitions for Haiti and the Haitians. For Haiti and for the Haitians, all of you want to help build a fair society, a free society, a prosperous society, a responsible society. The general parameters of an economic and social progress policy were outlined in my declaration of general policy in the Senate and the House. I will not rehash that this morning.

Let us say that we can summarize and translate them in a few words. Ladies and gentlemen ministers, you are going to seriously manage—in having things open and aboveboard—with efficiency and competence. You are going to have to reform with conviction and order; with method, without confusion. You must work for the future by reinforcing and widening the institutional scale of democracy, in complete agreement, I was going to say, in symbiosis with parliament. You are going to elaborate the laws of creation of territorial communities, the police forces, the office for the protection of the citizen, the permanent Electoral Council, the arbitration committee. In the same way, your constitutional task will include land reform, the reform of public administration, the reform of justice, a plan for fighting against drugs and corruption. This institutional task is important; it is urgent. From the minister of justice, from the minister of the interior, from the delegate in charge of territorial and community development, to the prime minister; from the minister of planning and the minister of agriculture, we are expecting that this task will be completed in less than 180 days. Beyond this constitutional construction, so important for the future, our government must face some urgencies. We must start right away, without delay, dropping prices and creating employment. This action on prices—notably on essential products—will go through a mature concerted action among importers, producers, and the state; as well as by increasingly competitive conditions that will allow consumers to benefit from the progress of productivity.

Our act of creating employment will have four phases: A social phase; an ecological phase; a phase of direct credit to small and average-sized firms; and a phase of support to the Armed Forces of Haiti. The social phase will begin with the cleaning up of Port-au-Prince and the provinces, of re-building roads and artworks, of building and maintaining irrigation systems, of beginning community

development projects, of building rural markets, of drilling wells and covering ditches. From the Ministry of Planning, from the Public Works and Transport Ministry, from the Ministry of Agriculture, we are expecting that the first council of ministers meeting will take place 1 July, on the production of a program of minimum action, satisfying the social phase of the act of creating employment.

The second phase of this action is the ecological phase. Owing to erosion, the mantle of vegetation covering our country has been deteriorating for a long time. Owing to the embargo ordered by the OAS, this deterioration is worsening daily. For lack of urgent action that involves an integrated approach, including reforestation and the mobilization of the youth, the peasants will continue to cut the trees; the exodus of the boat people will never stop completely; malaria, tuberculosis, typhoid, and hunger will continue to take their toll; the rural exodus will not stop; the population in the slums will increase; and the social consequences of such increased economic degradation will only reduce the chance of institutional stability and set more obstacles against the establishment of democracy.

We are asking the minister of agriculture and the minister of planning to create an urgent green plan to increase forest production, protect ecosystems, promote durable agriculture, protect and restore soil, control plant diseases, improve agricultural exploitation systems, clean drains, produce firewood for charcoal, produce coffee seedlings to plant, and to exterminate rats.

The program to benefit small- and average-sized firms will cover agroindustry, handicrafts, construction, block and concrete factories, furniture, fishing, garages, distilleries, textiles and leather, wood, shoe-making, needlework, woodwork, bread baking, the production of peanut butter and jams, pastry making, brick making, and fishing.

The program of supporting officers, warrant officers, and soldiers of the Armed Forces of Haiti will include the creation of a special fund to be used for financing social and humanitarian action benefiting the military and their families, as well as providing rehabilitation and building of housing estates, community clinics, and military schools.

With each of the phases, it will be question of presenting a global, continuous, and long-term action plan sufficiently well identified to fall in with portions of coherent interventions to last at least six months. As to the financing of the emergency program, a quick look at the operations of the treasury shows a deficit of over 260 million gourdes for the period from October 1991 to May 1992. The available resources, as expected, will not be sufficient to finance the emergency plan. Today already I am forming a committee made up of... [pauses] placed under the supervision of the minister of finance and consisting of the state secretary of finance, the director of the General Directorate of Tax, and the director of the Customs Service. The role of the committee is to release new resources and then to reduce expenses.

We are awaiting the 1 July report on resources. The report on the reduction of expenses will come from each ministry, taken separately. You are then invited to send your reports to the minister of finance within one month at the latest. The watchword in reducing expenses is: No witch hunts. Focus expenses on priorities, increase the productivity of personnel, and improve the quality of service.

Regarding the report on resources, without directing the work of the committee in any way, I would like to bring out two basic principles to which they might want to refer from time to time. The first principle is that the Haitians who have high incomes must agree to contribute to the collective effort of national solidarity even more than in the past for reasons that seem more and more obvious. The second principle is that fiscal fraud must no longer be tolerated. We solemnly promise those Haitians who agree to contribute to the renewed effort of national solidarity that what is paid to the state will not be embezzled by other people, and that the state money will be used in a visible manner for the good of the country.

Besides the two basic principles above cited, I can draw the attention of the committee to a certain number of additional facts. The first one is that the rate of fiscal pressure is one of the lowest among the underdeveloped countries. We grant too many exemptions and fiscal and customs exonerations. To confine ourselves to the month of May 1991 alone, 92 million out of 223 million gourdes of imported value—that is 41 percent—concerned exempted goods. [word indistinct] too many services, especially water and electricity. Too many taxpayers are excluded from the TCA [tax on turnover]. The general tax on the income of individuals comprises too many unjustified exemptions. A vast inventory of built and vacant properties should be carried out and the rental value of those properties should be reassessed.

In the same way, the calculations of sessions plus values [as heard] should be operated on a more serious basis while it is convenient to clearly define the land incomes of mines, quarries, and hydrocarbons. As for the special tax label, it has not been raised for 10 years. The public firms must be the regular object of independent audit. The customs administration should receive new means of control, including additional building of large customs parking on the two major roads. The number of firms on credit for the TCA is abnormally high. Here, ladies and gentlemen ministers, are some guides to research; here, gentlemen of the committee, are some paths. They are not restrictive. I am asking you to be exhaustive and to number the improvement of output expected from each of your recommendations.

Still regarding the urgency plan, you, Mr. Minister of Education, are going to organize the baccalaureate [official high school exams]. You, Mr. Minister of Social Affairs, will increase the minimum wage. As for you, Mr. Minister of Health, your emergencies finally are the daily cases: Vaccination, protection of mothers and children, stabilization of the birthrate, primary health care, distribution of medicines, education of personnel, drinking water, reduction of the infant mortality rate, and preventive rather than remedial community medicine. Your priority action is located on the starting line of life. That is the place where it is advisable to equalize chances. We rely on you to bring out—as far as possible—those actions within your list of priorities to which it would be advisable to give greater importance over the six-month period given you.

Ladies and gentlemen ministers, all of you are individually and collectively aware of the challenge. The stakes are known and understood. Emergencies have been defined. Thus it is time for the team to appear on the field. As with all national teams, we are the product of a selection stemming from clubs. Of course, we have the trumps of the national selections, as it is supposed that the clubs usually send the best players to the highest-level competitions.

I consider my priority task to be avoiding the usual team defects, such as lack of cohesion. May each one count on my vigilance, my cooperation, and my very high esteem for every one of you. To all I say: Good work. To all of us I wish good luck. [applause] May God bless us and support us! [applause]

U.S. Will Be Asked To Extradite Two Policemen

PA1906145392 Mexico City Canal 13 Television Network in Spanish 1318 GMT 19 Jun 92

[Text] On 18 June, the Office of the Attorney General of the Republic [PGR] consigned to the courts three Mexican policemen involved in the kidnapping and transfer to the United States of Mexican citizen Teodulo Romo Lopez. The incident took place on 13 June in Naco, Sonora. Meanwhile, the Mexican Foreign Secretariat will ask the United States to extradite the two U.S. policemen who kidnapped Romo Lopez. The policemen handed over in Agua Prieta, Sonora are Manuel Ramos Romero, commander of the Naco Municipal Police, who allowed the U.S. agents' illegal action; as well as Alfredo Mares Robles and Humberto Cortes Castro, federal Treasury policemen who failed to check the car in which Teodulo Romo Lopez was being taken out of the country.

Meanwhile, the Mexican Foreign Secretariat will request the extradition of Vicente Madrid, a policeman in Cochise County, Arizona, and Randy Flores of the U.S. Border Patrol.

According to the DEA, Teodulo Romo Lopez was arrested for jumping bail in Phoenix for a drug possession and drug pushing case.

At the Mexican Foreign Secretariat in Mexico City, the third day of meetings between Mexican and U.S. officials continued. Officials of the two countries are reviewing the bilateral cooperation agreements on judicial and drug trafficking matters. The Foreign Secretariat said that the meetings, which on 19 June lasted less than two hours, are being held in strict privacy so as not to hinder the talks.

Senate Approves Monetary Reforms on 18 Jun

PA1906131892 Mexico City XHTV Television Network in Spanish 0200 GMT 18 Jun 92

[Report by Juan Sebastian Solis]

[Text] On 18 June the Mexican Senate approved, by majority vote, several decrees for reforms and additions to the monetary system and Mexican monetary legislation .

During a brief parliamentary session, the senators, except the PRD [Party of the Democratic Revolution] block, agreed that the new monetary legislation will eliminate three zeros from the Mexican peso, simplifying the understanding and use of the currency.

In defending the monetary reforms, PRI [Institutional Revolutionary Party] Senator Carlos Sales Gutierrez noted that the monetary authorities must be especially careful when the changes to the monetary system are implemented:

[Begin Sales Gutierrez recording] It is important for the monetary authorities to avoid, at any cost, any attempts at price speculation. [end recording]

A PRD parliamentary bloc proposal to summon Finance Secretary Pedro Aspe was rejected by the majority of senators. The proposal's objective was for Finance Secretary Aspe to present a report on Mexico's financial and economic situation.

Through their spokesman Senator Jesus Rodriguez y Rodriguez, the PRI-controlled Senate argued that the proposal was unnecessary since a detailed 1992 first quarter report on the state of the economy and public finances had already been presented to the Senate on 20 May. A foreign debt report for the same time period had also been sent to the Senate.

* Researcher on Pemex Maintenance Deficiencies

92CA0164A Mexico City PROCESO in Spanish No 809, 4 May 92 pp 10-13

[Report by Carlos Acosta, Salvador Corro, and Guillermo Correa]

[Text] Francisco Rojas Gutierrez, the general manager of Pemex [Mexican Petroleum], has said that in Mexican Petroleum "an attempt is being made to do more with less, but also to do it better." This has not been achieved, however. The parastate company is paying the price for 10 years of tight budgets, which has translated into inadequate investment for growth, personnel cuts, poor maintenance, and deteriorating facilities.

In the judgment of analysts and workers and as can be gathered from official documents, this policy is leading to a greater involvement of foreign capital in the industry, an inadequate output of gas and gasoline, a decline in oil reserves, and above all, more failures and accidents caused by wear and tear on and neglect of equipment.

In its day, the "neglect" of oil installations was a pretext for chilly relations between the labor leadership headed by Joaquin Hernandez Galicia, La Quina, and the then manager of Pemex, Mario Ramon Beteta. There have been continued reports of inadequate maintenance since Francisco Rojas took over as general manager in February 1987.

Today, in the wake of the tragedy in Guadalajara, the deterioration of Pemex facilities has been magnified to the point that people living close to a petroleum plant are afraid that sooner or later a similar misfortune will befall them. Awareness of the danger has grown since 22 April.

On Friday 24 April a fire caused by a gasoline leak in a 12-inch pipeline caused panic among personnel at the "Pajaritos" petrochemical complex, who had to be evacuated along with the staff at the nearby Fertimex [Mexican Fertilizers] plant. The management of the parastate

company ordered a suspension of the pumping of gasoline from the "Lazaro Cardenas" refinery in Minatitlan to the terminal near Coatzacoalcos.

Three days later, gasoline, oil, and grease were detected in telephone conduits and in sewers in Puerto Vallarta and Poza Rica. In the first case, the authorities ordered the evacuation of at least 20 families and of nearby stores. In spite of Pemex denials, the leaks were verified by the second commander of the municipal police, Alfredo Salinas Ayala. In Poza Rica, the fuel spills occurred after a storm caused them to overflow manhole covers.

The same day, in Merida, the SEDUE [Urban Development and Ecology Secretariat] delegation closed two gas stations after removing 80,000 liters of water mixed with fuel from household wells in the southern section of the city. The incident forced Governor Dulce Maria Sauri Riancho to ask Pemex to do an exhaustive check of gas stations in the Yucatan capital.

In the Municipality of Guadalupe, Nuevo Leon, Pemex officials, environmental authorities, and local residents detected gasoline near the parastate company's storage plant; this was found to represent a 20 to 40 percent risk of an explosion. Pemex admitted that 30 water wells near the San Rafael plant are contaminated with fossil fuels and would therefore be shut down.

On Tuesday 28 April, a gasoline leak from a pipeline at the Pemex plant in Cuernavaca prompted fears among residents of the colonias [urban communities] of Martires de Rio Blanco, Quinto Fraccionamiento, and Tulipanes, who recalled that four years ago there was an explosion at the facility. According to the locals, "we are living on a time bomb. What we need is to have the pipe fixed, not to have them prepare us to deal with an accident."

In Mexico City, a leak at a downtown gas station on the corner of San Jeronimo and Bolivar dictated a dramatic emergency response. Local residents were evacuated; five streets were closed to traffic, and subway service was suspended at the Pino Suarez, Isabel la Catolica, Salto del Agua, Balderas, and Cuauhtemoc stations. Experts estimated the risk of an explosion at 40 percent. By 1800 that day, 12 200-liter drums of fuel had been filled.

In Saltillo, the capital of Coahuila, part of the downtown area was evacuated, and deliveries of natural gas were suspended.

As correspondent Luis Angel Garza reported, the preventive measures included the closure of 250 businesses, including hotels and markets, the suspension of classes for 12,000 students, and a temporary halt to natural-gas deliveries to about 8,000 homes.

On Friday 1 May in Mexico City, people living near the former Azcapotzalco refinery, which is still operating as a gasoline storage plant, confirmed that there were fuel leaks. Salvador Hernandez Ayala, a local resident, said that company technicians were taking measurements to gauge the risk of an explosion.

In 1988, enough gasoline was extracted from the subsoil to fill 45 tank trucks that can hold 20,000 liters each. Hernandez Ayala recounted how at the time, specialized personnel drilled wells up to 4 meters deep to remove the gasoline. The residents were not evacuated "though it was known that the multipurpose pipeline that goes to Barranca del Muerto had burst."

Ten Years of Savings

Two key measures characterized the oil policy of Miguel de la Madrid's six-year term, said university researcher Fabio Barbosa, a policy that is still being pursued: "a drastic cut in investment in the industry, which plummeted 85 percent between 1981 and 1987, and the new fiscal policy that was imposed on the parastate company, which made off with 50 to 60 percent of its sales revenues."

Ten years of tight budgets, he adds, have created production problems, although the decline in investment has not affected all areas equally. "There seems to be general agreement that exploration and primary production, as it is called in oil-industry jargon, as well as refining, have deteriorated the most. When referring specifically to them, and announcing new investment plans at the same time, Ernesto Marcos Giacoman, the assistant financial manager of the parastate company, acknowledged that they had suffered through a lost decade.

"Exploratory drilling fell from an average of 80 wells a month during the boom (418 between 1977 and 1981) to a little more than 20 during the latter years of the decade. According to Pemex reports, oil reserves declined 10 percent during the period in question."

Having studied Pemex for more than 20 years, Fabio Barbosa, from the Institute of Economic Research at UNAM [National Autonomous University of Mexico], emphasized that "the fact that Mexican refineries are forced to process growing percentages of heavy crude from Campeche Sound has contributed to the deterioration of production in the branch. Not only do these crudes have lower yields, they also cause corrosion in pipes and equipment, owing to their high concentration of harsh substances like carbon and sulfur, and cause carbonization and other damage in the boilers.

"These problems are, of course, linked to macroeconomic policies, because our refineries are being strained with heavy crudes in order to free up light oil for export as it commands a higher price on the world market."

According to Barbosa, the events in Guadalajara and the paranoia in several regions of the country are "the reflection of an oil policy that has sacrificed resources for the purpose of lowering operating costs."

He explained that the budget for operating expenses includes wages and salaries, the procurement of

imported materials, general services such as freightage, and the maintenance of facilities.

"In this category, Pemex posted its highest expenditures in 1980, with 2.9 billion pesos, because according to data from the parastate company, they fell to 1.9 billion pesos in 1987. In real terms this represents a 35 percent drop in the enterprise's spending on maintenance."

Basing his comments on the "Memoria de Labores" [annual report] that Pemex has just published, which says that "the status of cathodic protection in 19,500 kilometers of pipelines was checked" in 1991, the researcher asserted that the parastate company is thus admitting that it failed to check 40 percent of them.

The official Pemex document also states that "5,324 km of piping were kept protected from internal corrosion, and this system was installed in 1,295 more kilometers." According to the analyst, this reveals that Pemex left 80 percent of the National Pipeline System without such protection.

Fabio Barbosa explained: Pemex's nationwide network of pipelines includes 4,440 km of oil pipelines, 13,136 km of gas lines, 8,250 km of piping to carry petrochemicals, and 1,385 km for other purpose, yielding a total of 27,211 km. "Based on these numbers," he noted, "I figured out the percentage of piping that is not being looked after."

The researcher added that Pemex has one of the most modern technologies in the world, so much so that it uses a computerized system to gauge the flows, temperatures, pressures, and volumes of the liquids that are being pumped through the various pipelines from one terminal to another. In fact, he said, this information is instantly transmitted by satellite to other points where there is a computerized communications network.

"The bad part is that Pemex is using this technology only at three privileged spots in the national oil system: Campeche Sound, the private areas in Chiapas and Tabasco, and the Pacific oil project.

"This means that the enterprise is devoting its technology to the areas assigned to exports, while the land-based infrastructure, which is designed for domestic supply, is completely worn-out and neglected. The Pemex facilities are, from a scientific standpoint, a technological museum that houses both the old and the new, the only problem being that the latter is used solely for the benefit of the export industry; this explains why we often have accidents in the land-based infrastructure."

Far from what the management of the parastate company contends, the nationalized oil industry, as Cuauhtemoc Cardenas Solorzano charged this past 18 March, "has been badly treated in a thousand ways, and not just through the improper management of reserves. The funds made available to it have declined steadily, and thus regular maintenance work has been impossible. This is the reason for the increasing number of accidents and the damage and losses arising from them. In 10 years, public investment in the petroleum sector has fallen by 66 percent."

Salinas and Pemex

The policy of Pemex budget cuts started during the time that Carlos Salinas de Gortari was secretary of planning and budget. The 1987 accounting statement of the Federal Public Treasury, which compares what was budgeted with what was spent, reported that "the biggest problem that Pemex faced (that year) stemmed from excessive inflation and its impact on other economic variables. Activities had to be pursued in the setting of a severely tight budget, which hurt the investment program, although this did not prevent it from achieving most of its annual operating goals.

"The economic situation dictated frequent cuts in financial allocations and investment programs, which adversely affected the procurement of capital goods, the contracting of services, and the pace of work at projects. The resulting uncertainty complicated biddings and contracts and raised the cost of projects."

It was even being mentioned back then. Pemex "acknowledges without reluctance that it must be consistent with the macroeconomic setting in which it operates and has thus restricted its investments to what prudence advises. This year (1987) we have continued to cut investment expenditures while making use of materials and equipment in stock and scheduling nonpriority projects. It behooves us, however, to remain alert to the risks that would be entailed if this trend had to continue."

Things did not improve in subsequent years, however. In 1988, the SPP [Secretariat of Planning and Budget], headed almost throughout the six-year term by Carlos Salinas de Gortari, had this to say about the financial status of the parastate company: "The budget that the Honorable Chamber of Deputies authorized for Mexican Petroleum in 1988 was smaller in real terms than the one for the previous fiscal year. Similar situations arose year after year during the past six-year term and caused major backlogs in the categories of maintenance and investment and, in general, a slow work pace on projects. The unavoidable overrun in operating expenses in 1988 was offset by a drastic cut in capital spending."

In 1989, according to the official line, "effective maintenance work (in Pemex) was reflected in the completion of production programs and in the fact that security indicators remained at the high levels they achieved in 1988. The frequency rate of accidents has declined 24 percent since 1986, and the number of deaths in occupational accidents has been cut by more than half," the same secretariat reported.

The government's position was always challenged by the union leadership, until Joaquin Hernandez Galicia was jailed on 10 January 1989. After the San Juanico explosion, La Quina stepped up his criticism of Pemex management over the lack of facility maintenance, which he

had been speaking out against even prior to 1984. He warned then President Miguel de la Madrid that unless the installations were looked after, there were going to be explosions like the one at San Juanico all over the country.

Jose Sosa Martinez, the official secretary of the oil workers union, gave a famous speech on 8 January 1986, telling Miguel de la Madrid: "The oil workers can see that because of poor management Pemex is on the verge of collapsing, and if it collapses, we will collapse, you and the country." The president countered him emphatically: "I do not agree with the assertion that Mexican Petroleum is weak and risks a catastrophe." The following day the oil workers union organized a meeting of secretaries general at which each described the deterioration of the facilities in his respective section throughout the country.

Carlos Romero Deschamps, the current interior secretary and number two man in the hierarchy after Sebastian Guzman Cabrera, said at the time on behalf of Section 35: "I am here to tell you, my friend Sosa, with all due respect that what you said yesterday fell short. More than just spare parts are lacking at the refineries in Azcapotzalco and Tula. I would add that the most serious problem is the incompetence of the officials. For example, in Azcapotzalco, parts are being replaced with cheaper ones by the decision of one official. This happened with the catalytics. Now they have to be checked every three months instead of every two years, and that costs a lot more. In short, they did not save themselves anything; they are spending more."

As now, the complaints came from all over the country. The leader in Salinas Cruz (Section 38), Alfredo Lopez Ramos, who is currently in jail, mentioned that no maintenance was being performed at the refinery. The head of Section 33 reported that he had submitted a 170-item list with complaints, petitions, and defects. The head of 26 even said that he was embarrassed to show up at workplaces because the workers thought that the leaders did not want to resolve the company's problems. The head of 30 reported the rumor that 92 drilling rigs were going to be shut down, which was eventually confirmed.

A Special Joint Commission was set up in February 1986 at the president's initiative to try and smooth over the rough spots. But it did not work. Some months later, after Jose Sosa had underscored on 18 March how dangerous the installations were, La Quina, who was already openly at war with Mario Ramon Beteta, proclaimed that Pemex urgently needed to allocate more money for upkeep at its oil facilities and not spend so much on "superfluous" things because otherwise "there could be another San Juan Ixhuatepec, there could be more fires and deaths, and the industry could shut down."

You Could See It Coming

The situation has not changed under Francisco Rojas, who took over as Pemex manager in February 1987. The labor leaders who were sounding warnings back then are now in jail. The explosions, fires, leaks, pipeline breakages, out-of-control wells, and even helicopter crashes continue, the difference being that the situation has become even trickier during this six-year term because the restructuring or modernization of the company has further restricted its funding.

In April 1989 operating expenses were cut 15 percent, leaving 30,000 temporary workers without jobs and unionized workers without overtime, abolishing the union commissions and special positions, suspending salary advances, and postponing the payment of Christmas bonuses. There was no staff turnover for vacations, leaves of absence, or disability.

Document SDF/467-89, which the assistant director of finances, Dr. Ernesto Marcos Giacoman, sent to six assistant directors, speaks for itself: "Allow me to inform you that the authorities of the federal government have decided to set a ceiling of 2.611 trillion pesos for Mexican Petroleum's operating and investment budget for the second quarter; this is equivalent to 20 percent of our annual budget. This implies that the company will have to cut its operating and investment expenditures by 15 percent during the second quarter. To this end, the feeling is that the cut should be proportional in all divisions and that each assistant director will be responsible for carrying it out." This policy continues.

The spending authorized for 1990, 16.9766 trillion pesos, was in real terms similar to the amount authorized for the previous year. Nonetheless, thanks to the "strict controls established on spending appropriations, the measures taken to raise productivity in all areas of the industry, and the maximum utilization of human and material resources," the company saved 7 percent of the amount authorized. This was also down 26 percent from 1988.

Under the slogan of "doing more with less, but also doing it better," Francisco Rojas reported this past 18 March that "through strict observance of budgetary discipline, total operating expenditures declined in real terms by more than 2 percent, remaining at around 13 trillion pesos."

Federal Deputy Raul Alvarez Garin (Party of the Democratic Revolution) contends that the worst is yet to come, as the parastate company plans to keep firing personnel until it reaches its goal of 55,000 unionized workers and 18,000 staff personnel. In 1989 the payroll was 210,000. As of now Pemex has dismissed 130,000 workers.

Sebastian Guzman Cabrera, a principal in the battle that La Quina waged in Pemex and the current national leader of the union, defends and justifies the company today: "It is difficult, almost impossible, to conduct a thorough inspection at all installations, oil and gas pipelines, and multipurpose pipelines. We must not devil-bait Pemex."

El Salvador

Assembly Asked To Abolish Security Bodies

PA2106165292 San Salvador Canal Seis Television in Spanish 0200 GMT 20 Jun 92

[Text] The president, through the defense minister, has asked the Legislative Assembly to abolish the decrees that created the Treasury Police and National Guard. This initiative complies with pledges made by the government when it signed the Chapultepec Agreements.

The government had attempted to transform these security bodies into military police and border guard groups, and had kept the decrees that created them in effect. The request to abolish these decrees corrects the government's previous actions. Christian Democratic Deputy Roberto Viera reacted to the situation.

[Begin Viera recording] Decisions that we are capable of making in El Salvador are being made for us abroad. Why did the president of the Republic send this letter to us today? Simply because Chapter 2 of the ONUSAL [UN Observers for El Salvador] 26 May 1992 report to the UN secretary general, which deals with the Armed Forces, states—and I quote—the ONUSAL requested information from the government on the number of men in the two former public security bodies which had been incorporated into the Army, the number of members assigned for new functions as military police or border guards, and the number of members relieved. While the ONUSAL awaited this information, the government gave rise to new concerns when it managed to make the Assembly hastily approve legislation that did not clearly abolish the Treasury Police and National Guard, unquote. [end recording]

The Legislation Commission will pass judgment on the presidential request. The full dissolution of the former security bodies, which is part of a commitment between the government and FMLN [Farabundo Marti National Liberation Front], should be concretized by 30 June at the latest .

Guatemala

Minister Offers Guerrillas 'Eventual Amnesty'

PA2206200192 Mexico City NOTIMEX in Spanish 1710 GMT 22 Jun 92

[Text] Guatemala City, 22 Jun (NOTIMEX)—Guatemalan Defense Minister General Jose Domingo Garcia Samayoa on 22 June urged the guerrillas to lay down their arms so they can enjoy an eventual amnesty.

Although an amnesty is not in force, the minister said, "a legal mechanism can be found. The law can exempt those who honestly lay down their arms and are willing to surrender."

"We can find ways to legally help them resolve their situation or even release them. In such a case, a memorandum would be drafted and that would be it," he added.

Samayoa addressed those guerrillas who "still wield arms for the benefit of those living in comfort. The guerrillas should think about the alternatives, lay down their arms, and be reinstated as lawful citizens."

The minister played down the remarks by rebel commander Rolando Moran, who described as "ridiculous" President Jorge Serrano's proposal for the guerrillas to form a political party before a peace agreement is signed.

"I am not surprised at Moran's remarks because the insurgents' position has remained the same, to seize power by force and establish a completely different system, contrary to our customs and traditions, as well as the Guatemalan system of government," the minister said.

* Illegal Entry Into U.S. Sought by 13,000

92CA0163D Guatemala City PRENSA LIBRE in Spanish 30 Apr 92 p 8

[Exerpts] Tecun Uman, Guatemala—Men with sad expressions, starving children, and women who seek "new horizons" across the border take refuge in the 30 or so hotels, assistance houses, bars, and cantinas, where they are plucked up by a powerful network of smugglers established in this place known as the "Guatemalan Tijuana."

They are known as "triple wetbacks" because they cross the Paz River on the border with El Salvador, the Suchiate on the border between Guatemala and Mexico, and the Bravo. The illegal aliens eagerly seek to "hitch a ride" to the United States.

Dressed in cowboy pants and carrying nylon bags holding their few belongings, the Central Americans mill around the main plaza of this city, which borders the southern Mexican community of Ciudad Hidalgo in the State of Chiapas.

"La Concordia" Park in Tecun Uman is famous in El Salvador, Honduras, Nicaragua, and Guatemala because it is the main center of operations for money changers, "chicken merchants" (smugglers of aliens), and drug traffickers.

Crime and prostitution abound in this environment. Here, prospects are transformed into wetbacks, whom the smugglers or chicken merchants charge $1,800 to take to the southern United States.

Provided with indecipherable documents, certificates of military service in Mexico, passports, photocopies of birth certificates, and credentials from various Mexican institutions, the aliens are transported by various meandering paths.

According to the immigration authorities, the aliens utilize at least a thousand routes along the 962 km of border, of which 660 km correspond to the southern Mexican state of Chiapas.

Juan Lopez, "El Chino," is one of the largest smugglers of aliens. Area residents believe that each week he takes some 30 aliens across the Suchiate River, hidden in container cars on Mexican railroads.

Some women waiting to be taken to Mexico and later to the United States take refuge in the bordellos "Day and Night," "The Route," "The Blowout," "The Bamboo," and "Affection," where they consort with the customers and drink beer to earn money to continue their journey. Many of these women prefer to stay and work in the Mexican border towns of Suchiate, Tapachula, Cacahoatan, and Pijijiapan.

Suyapa "N." is a 22-year-old Honduran who has been staying in a guest house since before Holy Week, waiting for an opportunity to cross the border.

Trained as a typist-secretary, Suyapa says that there are no opportunities for work in her country, which is why "I don't care where I work, as long as I can earn a few bills."

Approached in a hammock, the young woman "kills time" learning what speech accent to adopt on the Mexican side. A man with a penetrating gaze is her "teacher" and is in charge of instructing her in these tasks.

The thousands of Central Americans who try to cross the border risk many dangers. They are constantly assaulted by gangs that operate on the Mexican side and, upon being pursued by the law, throw themselves across the Suchiate River and take refuge in the border towns.

Guatemalan Mariano Yuc accused armed persons of assaulting him in the Municipality of Huixtla, 60 km north of the border, on the Mexican side.

"Some men with machetes took our money, while they raped two women in a sugarcane field, with nobody able to do anything," he stated. [passage omitted.]

Hundreds of stories give evidence of the suffering of the illegal aliens on both sides of the border.

Mariano Lopez is a smuggler who works in Suchiate and charges $1,800 for each alien, a price established by the band of smugglers.

It is not easy to contact him. In a small palm shack located in Ciudad Hidalgo, on the Mexican side, in front of the Suchiate River, he has his center of operations. Every two weeks he travels to the border of the United States with "human cargo."

Mariano chooses his clients, looks them over from head to foot and asks for a 50 percent advance for the trip, but he warns them not to turn him in if the Mexican authorities catch them, or they are "dead men."

He backs up his threat with the fact that they are organized and that the band of smugglers has contacts in several countries.

Between puffs of smoke he talks, explains, and traces in the dirt the route he will take to deceive the 85 immigration agents operating in Chiapas.

His house is a small "emigration school," where he instructs the aliens on what to do in case the authorities catch them.

Each alien has to remain in wood and palm huts for 72 hours before leaving, to "ensure" that they are not an informer or police agent.

Lopez knows how to give confidence. The aliens consider him one of the most expert border-crossers.

In the past 15 months, the Mexican immigration authorities have deported 80,000 Central American aliens through the Guatemalan border posts of El Carmen, La Mesilla, and Tecun Uman.

The Tecun Uman immigration delegate, Johnny Perussina, indicated that those deported are mostly Salvadorans, Nicaraguans, Hondurans, and Guatemalans.

Paradoxically, Tecun Uman is the border town that receives the fewest aliens deported from Mexico, although it is the principal port of illegal entry into that country.

* National Wheat Crop Described as 'Good'

92CA0163E Guatemala City PRENSA LIBRE in Spanish 5 May 92 p 26

[Article by Oscar Constantino Figueroa Valiente]

[Excerpt] The country's wheat harvest, of high quality, has passed half a million quintales for the season, which justifies calling for the government authorities to provide better service and attention to small and medium-sized wheat farmers. The farmers demand is based on Decree 1490, which in addition to constituting a social victory over the last 28 years, is the only thing protecting them in the grain market, declared Engineer Mario Augusto Amezquita Navarro, administrator of the National Wheat Farmers Association.

The statistical data that this institution has recorded is extraordinary, contradicting all expectations that wheat would disappear from cultivation in this country.

He also said that for this year's planting, the association and the ICTA [Agriculture Science and Technology Institute], with the support and assistance of the Digesa [General Directorate of Agricultural Services] seed department, will distribute more than 4,000 quintales of certified seed, which will considerably increase the next crop in 1992-93.

Amezquita Navarro pointed out that the number of families dedicated to growing wheat in this country is

more than 20,000, of whom 80 percent are small farmers urgently needing the support of the authorities in the public agricultural sector. [passage omitted]

* Delay in Investing Revenues Called 'Scandalous'

92CA0163A Guatemala City EL GRAFICO in Spanish 14 May 92 p 5

[Text] The utilization of revenues collected through the obligatory tax law and the issuance of economic emergency bonds in 1991, which increased that year's fiscal budget by 700 quetzales, has clearly demonstrated the lack of ability to execute projects and/or programs.

The law, for which the executive branch applied propagandistic pressure on the legislative branch to obtain approval, took effect immediately, and in order to utilize the revenues for resolving serious problems in the areas of education, health, communications, security, and foreign debt, a decree to increase the budget was issued last 25 November.

The decree specified the sums assigned to the Ministries of Health, Government, Communications, and Education and those corresponding to debt payments. But what draws one's attention is that, of the amount collected by the authorities as of 30 April, most of the revenues have gone toward resolving the debt problem, instead of being used in the other areas mentioned above.

This information was made known in a meeting of Christian Democratic Party deputies with Health Minister Eusebio del Cid, Government Minister Fernando Hurtado, and Communications Minister Alvaro Heredia. The deputies had the meeting to ask the ministers what they have done with the revenue from the bonds.

Finance Minister Richard Aitkenhead was also invited, but he did not attend. Each in his own fashion, del Cid, Heredia, and Hurtado explained what they have done with the resources assigned to the portfolios for which they are responsible, both in expenditures and in commitments.

A well-known report on revenues and expenditures related to the application of the obligatory tax and the emergency bonds, written by the Finance Ministry, emphasizes the lack of project-execution capacity on the one hand, and the wasteful bureaucratic procedures on the other.

Because of this, those problems, with the exception of foreign debt (without the Congress' permission, 212 million quetzales were used to cover late payments and keep access open to creditors, according to Enrique Guillen), have worsened. The hospital network is on the verge of collapse; the highway network is in disastrous shape; there are high levels of insecurity, and there is a shortage of schools and teachers.

As of 30 April, revenues totaled 614.1 million quetzales, and expenditures totaled 296.06 million. The difference, 318.04 million quetzales, was deposited in bank accounts.

Of the amount spent, by category, 212 million was used for payment of the public debt; 37 million for communications; 35 million for health; 11 million for education, and zero for administration.

Honduras

Central Bank Allows Exchange Rate To Float

PA2006214392 Tegucigalpa EL HERALDO in Spanish 19 Jun 92 p 5

[Quotation marks as published]

[Text] The Central Bank of Honduras' [BCH] board of directors decided yesterday to allow the exchange rate to float. It established free price negotiations between the parties as the rule to determine the interbank exchange rate. The reason behind this decision, according to reports, was that Honduras has over $200 million in cash in foreign reserves, while the annual controlled inflation rate has been fixed at 12 percent.

Moreover, the organization that regulates the nation's banking policy [National Financing System] was prompted to make this decision when the AID disbursed $17 million that was pending. The following is the text of the resolution:

National Financial System

To all the Republic:

I hereby transcribe the resolution approved by the BCH's board of directors that states as follows:

"Resolution No. 359-6/92.

Whereas, the BCH's board of directors, in accordance with what is established in Article 3 of Decree 18-90, has the authority to fix the exchange rate in accordance with supply and demand, within the norms established by the board of directors: The board of directors, using its legal powers, during the 18 June meeting resolved:

1. To establish the free negotiation between parties as a norm to determine the exchange rate, for all purchase and sale currency transactions carried out by the BCH's exchange agents. The exchange agents should indicate in their establishments, in a visible place, the exchange rates currently in force.

2. The exchange agents will continue to report daily to the BCH the amounts negotiated in foreign currencies and the exchange rates used in these transactions on a form designed for this purpose

3. The average price resulting from all the operations made by the BCH's authorized exchange agents during

the five working days prior to the date of the sale will be used to establish the rate for the purchase of foreign currencies acquired by the National Banking System that are to be sold to the BCH.

4. In order to stabilize the exchange rate, the BCH's administration is authorized to negotiate foreign currencies with the banks in the banking system, by using the same procedure established for the foreign exchange houses in Article II, letter d), Agreement No. 25, dated 24 March 1992, which states:

"When the BCH decides to intervene outside the interbank market, through the purchase or sale of currencies in the foreign exchange houses, it will give the same option to every exchange house, at the prices authorized by the board of directors. Under no circumstances will these prices be lower than those established in the interbank currency market. The foreign exchange houses will have a time limit to exercise this option, totally or partially, by making the corresponding payment."

5. This resolution shall be enforced as of 19 June 1992 and modifies any previous resolutions that may be contrary to it.

Sincerely,
Jose Orlando Moreno, Secretary
Circular Note No. D-14/92

Nicaragua

Government Denies Being 'Held Hostage' by FSLN

PA2006191792 Managua LA PRENSA in Spanish 18 Jun 92 p 2

[Text] Presidency Minister Antonio Lacayo Oyanguren stated on Radio Corporacion that President Chamorro's government does not consider itself "held hostage" by the Sandinist National Liberation Front [FSLN]. He added that if this type of situation ever came about, President Chamorro would retire to her home and "the hostage takers, whoever they are, would then have to see how they can make the country progress."

Minister Lacayo explained that "naturally, various groups would like to hold the government hostage so it would respond solely to their interests. However, the government's role is to harmonize and balance those interests, to avoid being trapped by one of those groups."

In reference to the suggestion that "the military" [canas huecas] in Nicaragua are the ones who really set the course of the country, Lacayo noted that the Armed Forces immediately followed presidential instructions to reduce forces as quickly as possible.

The Presidency minister, referring to the national dialogue, stated that: "We believe that the political forces must converse and let their concerns, as well as their understandings and misunderstandings, be known. Then we can determine how to close those gaps for the welfare of Nicaragua."

Vice President Virgilio Godoy Reyes telephoned Radio Corporacion to blame Lacayo for having broken off the national dialogue last December. Godoy insisted that when 13 points of a 14-point agenda had been approved, the government representatives informed the UNO [National Opposition Union] representatives that there would not be a national dialogue agenda.

Lacayo answered by saying that the government has no problems with the 14 points previously suggested by UNO. However, he added that discussing all 14 points would have taken at least six months of talks between the government and UNO, only then to begin the national dialogue.

According to Lacayo: "We believed that UNO's attitude was aimed solely at prolonging the issue."

Government, FSLN Form Commission on Property

PA2206183592 Managua Radio Catolica in Spanish 1100 GMT 22 Jun 92

[Text] The government is continuing its efforts to solve the country's most crucial problems in cooperation with the Sandinist National Liberation Front [FSLN]. Now the government is going to try to resolve the property problems while working with the FSLN. The government has practically obviated National Opposition Union proposals, but it has agreed to form a joint commission with delegates of former President Daniel Ortega Saavedra. The names of those who will be commission members will be known in a few hours—both the names of the government's as well as the Ortega brothers' delegates.

This week the government will expedite a number of activities to help resolve the property problem. A joint commission has been formed with FSLN representatives. Last week a meeting was held between Presidency Minister Antonio Lacayo and several FSLN directorate members. One of their agreements was to form this commission to discuss again the situation following pressure from the United States to ensure the return of properties to over 200 Americans. This week the government will release the draft bills to create a Property Attorney General's Office [Procuraduria de la Propiedad] and hasten the return of many homes that are now in the hands of private individuals.

Ortega Demands Prompt Legalization of Properties

PA2206201692 Managua Radio Ya in Spanish 1100 GMT 22 Jun 92

[Text] Daniel Ortega Saavedra, secretary general of the Sandinist National Liberation Front [FSLN] on 20 and 21 June discussed the property issue in Jalapa.

[Begin Ortega recording] The problem affects many properties that are in dispute, and it should be definitively (?resolved) as quickly as possible. Although the legalization may take some time because the properties must be registered, we must find political and legal mechanisms so all the families that benefited during our government, during the war, and all the families that are currently benefiting from the government's distribution of lands can once and for all feel secure on their piece of land, at their cooperatives, or on their farms.

They should be able to go to a bank to request credit, and no bank should make excuses or say: I cannot give you credit because your property has not been legalized. [end recording]

Ortega also visited El Jicaro and Ocotal Municipalities, where he demanded financing for the small and medium-sized producers and guarantees on the properties of all peasants who received lands during the Sandinist government.

Government, UN Sign Development Agreements

PA2106190992 Managua Radio Nicaragua Network in Spanish 1100 GMT 20 Jun 92

[Communique issued by the Public Relations Department of the Nicaraguan Institute of Municipal Development in Managua on 19 June]

[Text] On 19 June, UN Representative Francisco Vincenti and the Nicaraguan Government signed a multiagency protocol for more than $2.5 million. The funds will be used to implement development projects in vital areas. The protocol was signed by Francisco Vincenti, UN representative; Eng. Agustin Jarquin, executive director of INIFOM [Nicaraguan Institute of Municipal Development]; Dr. Erwin Kruger, minister of foreign cooperation; Dr. Emilio Pereira, minister of finance; Dr. Roger Mendieta, minister of INAA [Nicaraguan Water and Sewage Institute]; and Alfonso Deshon, deputy minister of economy and development.

The plans will help strengthen the finance ministry, improve water supply and sanitation services, support social programs, and sponsor a survey on living conditions. The protocol includes a water supply project that will last one year and will be implemented by INIFOM and INAA. The goal is to establish a technical support program for water and sanitation services to protect the most vulnerable populations, particularly zones where repatriates, demobilized fighters, and people affected by the war have settled.

The other projects will be carried out by the Ministries of Finance, Economy, and the Presidency. The UN representative said the signing of the protocol sums up what is being done; adding that it will benefit areas essential to the country's development. Also, Eng. Jarquin said this is part of the decentralization policy being implemented by President Violeta Barrios de Chamorro's administration. He also said the protocol is accurate, relevant, and exemplary.

[Issued] Managua, 19 June 1992.
Public Relations Department, INIFOM.

Trade Union Holds Congress, Elects Officers

PA2306021492 Managua BARRICADA in Spanish 21 Jun 92 p 5

[Text] On 21 June, the Central Organization of Trade Union Action and Unity (CAUS) held its first national congress. During this congress the constitution of the Union Confederation was ratified and members were appointed to the Executive Committee and Vigilance Committee.

In evaluating the results of the congress, CAUS Secretary General Roberto Moreno, pointed out that "we have taken a very significant step toward becoming a confederation, which is a more superior type organization that will attract more members to the union movement."

The congress was established as the organization's leading authority, the mandates of which will be implemented by the Executive Committee. The Executive Committee is formed by Roberto Moreno as secretary general, Emilio Marquez as deputy secretary (previous conflicts secretary), and Bismark Silva as organization secretary.

The Executive Committee will also include Roger Roman, Olimpia Chamorro Morales, Silvio Martinez, Edy Paramo, Wilfred Miranda, Douglas Gomez, and Roberto Mendoza.

The congress was named in honor of legendary textile worker Manuel Perez Estrada, 80. Through a taped message, Mr. Estrada thanked all the participants and urged them to continue working to defend workers' rights.

During the opening of the first union congress, some affiliates emphasized that the CAUS should be independent from the Communist Party of Nicaragua, which is headed by Eli Altamirano.

CAUS Secretary General Roberto Moreno recently resigned from the Communist Party of Nicaragua, which created a controversy he disclosed "he did not expect." In closing any discussion related to the issue, Mr. Moreno described the conflict as "insignificant" compared to other significant world issues.

Douglas Gomez, former records and agreements secretary, suggested the candidates for the Executive Committee, the Court of Honor, and the Vigilance Committee. The motion was backed by the former Executive Committee. Despite the fact the delegates did not present any other proposals, a minor controversy arose when it was suggested that "everything was tied up."

Regarding this issue, Secretary General Moreno pointed out that it was just a proposal, open to modification, but that it "has the quality of being representative, balanced, as well as representing the opinions voiced during the different meeting."

The Honor Council elected Gerardo Ortiz as president, and Alejandro Gutierrez, Lila Macis, Carlos Orozco Rueda, Miguel Salgado, and Manuel Carrion as council members.

The Disciplinary Board will be formed by Franklyn Siles Bell as president, Oscar Orozco as union comptroller, and Alvaro Espinales Cabrera and Adonis Chevez as first and second directors, respectively.

The Honor Council is in charge of investigating reports filed by the workers against union members and the National Executive Committee. The Disciplinary Board is tasked with supervising the management of union funds and compliance with the organization's by-laws and regulations.

Representing Regions I, II, III, IV, V, VI and IX, 70 of the 86 delegates were present at this first CAUS congress.

Spain Concerned About ETA Weapons Caches

PA2206192592 Managua Radio Catolica in Spanish 1100 GMT 22 Jun 92

[Text] The Spanish Government is concerned about weapons caches built by the Sandinists for the terrorist Basque, Fatherland, and Liberty [ETA] organization. Presidency Minister Antonio Lacayo, who will meet with Prime Minister Felipe Gonzalez on 22 June, must explain the support the Sandinists continue to give the Basque terrorists.

Spain is among the countries that are questioning the way aid is being used in Nicaragua in light of the country's rapidly deteriorating standard of living.

* Reasons for 'Revueltos' Movement Explored

92CA0165A Managua LA PRENSA in Spanish 7 May 92 p 10

[Commentary by Luis Sanchez Sancho]

[Text] The recompas, recontras, and revueltos [mixed group of recontras and recompas] have become the paramount phenomenon of the current sociopolitical moment in Nicaragua, an issue seemingly so serious that the president of the Republic has been forced to postpone her official visit to Colombia for the second time.

But is the issue of the recompas, recontras, and revueltos actually so real and so serious? How much is real and spontaneous, and how much is ruse and fakery in this issue, which has virtually paralyzed any attempt to begin the country's recovery?

There are those who think and contend that this entire to-do about the recompas, recontras, and revueltos is a cleverly designed political stratagem behind which stand the Ortega brothers and a faction of the Sandinist Front.

The speculation is that the staging of the commotion could be a Machiavellian ploy to keep the country in chronic crisis and on the verge of disaster. This way, it is presumably easier to justify the government's policy of seeking an understanding with "the good guys," the Ortega brothers, and of rejecting and excluding "the bad guys," the UNO [National Opposition Union] people.

The revueltos spectacle also presumably justifies the government's position that the parties should not engage in political opposition because this is unnecessary, harmful, and polarizing, thwarts national reconciliation, and prevents efforts from being combined for national reconstruction.

The anxiety created by the revueltos' actions also justifies the argument that the military institutions and their supreme command have to be kept in the hands of Sandinism and General Ortega in order to guarantee, in the final analysis, the stability that Nicaragua needs.

Finally, with the armed revueltos dominating the national scene, it is easier to defend the demand for additional outside economic aid to meet pressing social needs, aid that the donors are reluctant to release.

The theory that the revueltos are a coldly calculated ruse is based on the fact that former President Ortega, with government support, is involved in all the conflicts, fomenting some and allaying others. It is also based on the fact that this is an odd armed uprising in which the rebels are self-proclaimed pacifists and in which, when by sheer accident there is a casualty, the principals make a tremendous fuss protesting "the use of force and arms," which they themselves are brandishing.

But there are also reasons to believe that the conflict prompted by the revueltos is real and spontaneous.

The unemployment problem is an objective fact, and the tens of thousands of troops demobilized from the two armies have not gotten jobs or other means of survival.

It seems that the great majority of the demobilized personnel of the Sandinist Army, the police, and the security forces did not profit from the pinata of the transition and were given only a fistful of bills upon being discharged.

It bears noting that the Sandinist revolution was a social swindle for most of Nicaragua's blue-collar workers and campesinos. The agrarian reform served to benefit only a small segment of campesinos and to create a new class of landowners as greedy as those during the Somoza era.

Nor was there urban reform for most of the poor residents of Nicaragua's cities. Over a period of 10 years just a few homes were built, while the big shots and mid-level officials settled for occupying the residences and houses of others, and grassroots ownership in disadvantaged neighborhoods was not guaranteed.

The evidence of all this frustration is there to see now: large numbers of campesinos are demanding land so that they can work and survive, and thousands of them are calling for title to the parcels on which they have squatted as individuals or in cooperatives. The only thing that the previous regime handed over to the new government in the social sphere (farming, housing, and jobs) was chaos.

In short, the phenomenon of the recompas, recontras, and revueltos is part fact and part fiction.

Popular wisdom has it that joining together is not the same as revolting. There are people who, arms in hand, are blocking highways, holding up businesses, and occupying fully functioning farms. Are they joining together in an attempt to resolve real and legitimate problems, or are they revolting to earn spoils for themselves and fish in the troubled waters of ungovernability and anarchy?

Whatever the truth may be, the government will have to resolve the problem as soon as possible in spite of the "help" from former President Ortega and even though the 1992-93 crop and production year has also been regrettably wasted.

* Commentary Links Corruption, Privatization

92CA0165B Managua BARRICADA in Spanish 8 May 92 p 3

[Article by Doris Tijerino]

[Text] When sufficient funding is not available for all projects, we can readily conclude that we should provide it for the most important ones and put the minor ones aside. The comptroller of the Republic does not seem to grasp this lesson in common sense.

He has justified his inefficiency by citing insufficient funds. But the only explanation for his tolerance of the corruption scandals with which the public is familiar is that he lacks the political will to deal with them, in addition to an inefficiently run government.

We cannot understand how the comptroller general of the Republic can show up in the National Assembly with a mere list of the cases being tried, without discussing their causes or how to prevent actions against government property.

At the outset of this commentary, I indicated that the comptroller's office ought to be able to identify primary and, as the case may be, secondary projects.

Most deputies do not find it sensible for the comptroller's office to do most of its work in companies and organizations that are not of prime economic importance. The office is more concerned about conducting an audit in a small hotel on the Pacific than about vigorously tackling the "Enabas [National Enterprise for Staple Foods] affair."

It is unacceptable for the comptroller's office to function as a mere observer in the process of enterprise privatization, and belatedly so, while failing to submit a single assessment of this process, which is taking place in the absence of a law to regulate it and guarantee its efficiency and transparency.

It is the common view of the deputies that the comptroller's report is inadequate. The report contains no evaluation of the administrative and financial performance of public institutions. The comptroller was unable to explain why his report does not reflect the oversight of the General Budget of the Republic that his office is supposed to exercise.

The comptroller's report seems to contain no conclusions about or assign any blame in cases such as Nicaraguan Airlines, Tony Ibarra, the passports, Enabas, and the optician's shop of the Nicaraguan Institute of Social Security and Welfare. Other Central American countries have smaller comptroller's offices that, with similar funding, perform more effective oversight and evaluation than this government does.

We realize that this government is complex in nature, and it is a government whose institutions are headed by businessmen. This means that the comptroller's office must be more zealous in its monitoring of public administration.

It is true that this government may go down in history as the one that achieved an armistice and halted a major bloodbath. It may also go down in history, however, as a government that fostered and kept alive corruption in the wake of a very peculiar "privatization," one that deliberately bankrupted state-run enterprises and hurried to reap its spoils before leaving.

Panama

Endara Takes Responsibility for 11 Jun Events

PA2206185692 Panama City Telemetro Television Network in Spanish 1752 GMT 22 Jun 92

[Text] President Guillermo Endara said on 22 June that he, and no one else, is responsible for the Plaza Porras incidents during President George Bush's visit to Panama. He said he was mainly interested in having Bush speak in public to reassert faithful implementation of the Torrijos-Carter Treaties and the reversion of the U.S. bases.

[Begin recording] [Endara] I invited President Bush. The president of the Republic is responsible for the invitation. I cannot blame anyone else; no minister or agency director had anything to do with this. I am the only one who had anything to do with the invitation. Therefore, Guillermo Endara, rather than Mayin Correa, is responsible for the Plaza Porras incidents, and if the public event was criticizable—in fact, a high-ranking official of my administration said it was a stupidity—that was the reason, and I assume full responsibility for the decision.

Now you know why I did it. I cannot blame her for anything because she was hardly involved except at the last minute, when I asked her to adopt additional measures at Plaza Porras. What happened at Plaza Porras as far as the National Police is concerned is part of another investigation. You know about this and you know the results. I will not meddle in that because that was a different investigation.

[Unidentified reporter] You now accept responsibility for the event's security. Can we surmise that no civilian will be held responsible? If you are responsible, then why have the policemen been sanctioned?

[Endara] Well, the policemen were investigated because they were in charge of security at Plaza Porras. Judging from the report and information the government and justice minister personally gave me, they are guilty. They are not guilty of criminal actions or negligence, but they certainly failed to carry out the appropriate measures and to enforce their authority to protect lives. I understand that those are the reasons the disciplinary measures were adopted. By the way, I think these measures were pretty harsh and perhaps they can be minimized if we talk with the minister. [end recording]

Legislators' Reaction Viewed

PA2306044192 Panama City Circuito RPC Television in Spanish 2300 GMT 22 Jun 92

[Report by Alvaro Alvarado; passages within quotation marks are recorded]

[Text] The statements made by President Guillermo Endara were a surprise for legislators of the different parties. According to politicians, sanctions should be issued against Government and Justice Minister Juan Chevalier, as well as against Menalco Solis, executive secretary of the Public Security and National Defense Council.

[Milton Henriquez, Christian Democratic Party, PDC, legislator] "We heard the president say he is assuming full responsibility for the incidents, but he has not lifted the sanctions on the policemen who were disciplined. I believe that, if we want to impose civilian authority over the police force, we have to assume the responsibility of exercising this authority and not seek the Presidency's protection instead of dismissing these civilian officials."

[Elias Castillo, Democratic Revolutionary Party legislator] "This is proof that there is no ability to assume true responsibility and to place it where it really belongs. There is a saying that the rope always tears at its weakest point. This means they will try to find lower ranking officials and take measures against them."

[Alberto Cigarruista, Authentic Liberal Party legislator] "The Constitution states that the president is the commander in chief of the national Public Force. If he has assumed responsibility, it is for this reason, precisely because he is the top chief of the Public Force. I would like to tell the president that the Panamanian people are unhappy with the latest actions carried out by the Public Force. If there are resignations, he should accept them."

[PDC Legislator Gloria Moreno de Lopez] "I believe that, if the president assumes full responsibility and says he will not accept resignations, which I do not think Chevalier or Solis will submit, then he must be the one to resign."

Maria Elena de Alvarez, secretary general of the Attorney General's Office, said the president can only take administrative actions and not legal actions.

[Alvarez] "The president may take administrative disciplinary actions against civilians in government. When you ask about private citizens, the president may definitely not take action against them because that is why we have the appropriate regular courts and our investigations in attempting to determine the responsibilities of both government officials and private citizens."

Until now, no one has been found responsible during the course of the investigations being conducted by the Attorney General's Office regarding the 11 June incidents in Plaza Porras. Alvarez said, however, that Legislators Balbina Herrera, Edilberto Culiolis, Government and Justice Minister Juan Chevalier, and Menalco Solis, executive secretary of the Public Security and National Defense Council, among others, must render sworn statements before the Attorney General's Office in the next few days.

PRD Criticizes Organizers of 11 Jun Gathering

PA2206191392 Panama City Telemetro Television Network in Spanish 1730 GMT 22 Jun 92

[Text] In a press statement issued on 22 June, the Democratic Revolutionary Party [PRD] described the organizers of the welcome for U.S. President George Bush as local puppets and accused them of politically persecuting the PRD. The statement also did not rule out a possible alliance between the Arnulfist Party and the PRD.

[Begin PRD Leader Erasmo Pinilla recording, in progress] ...As the truth of the invasion of our country is becoming known—an invasion that caused unjustified death and destruction—the noble U.S. people and serious and responsible congressmen are beginning to react in solidarity with Panamanians and against those responsible for the barbarity that took place and the propaganda with which the actions were concealed to deceive the U.S. and international public. In a U.S. election year, the strategists of Mr. Bush's reelection campaign urgently needed something to neutralize the political reaction that the truth about the invasion of Panama would elicit in those elections. In view of the unwise and undeserved display in Plaza Porras, the protectorate government charged the individual directly responsible for public security, the government and justice minister, with undertaking investigations in

which he and the Panama City mayor would have to be the first ones investigated. The results of the investigation were to be expected: As usual, the weakest got the short end of the stick. Lower-ranking police officials were punished, and PRD leaders are now targets of fierce political repression. [end recording]

Meanwhile, PRD Secretary Ernesto Perez Balladares said that after overcoming some obstacles, an agreement can be reached with the Arnulfist Party.

[Begin Perez recording] We reiterate that our party is willing to hold a dialogue not only with the Arnulfist Party but with any other political force to find points of agreement that will help the country overcome the difficult phase it is experiencing. [end recording]

National Police Appointments Announced, Viewed

PA1906160592 Panama City EL PANAMA AMERICA in Spanish 19 Jun 92 p 1A

[Article by Orlando Mendieta C.]

[Excerpt] [passage omitted] An official source has reported that Major Jose Gomez, currently Police Academy director, will be the new Police Investigation and Information Department director. The source added that Maj. Alberto Soto Cajar, currently Traffic Department director, will be the new chief of the Metropolitan Police; Maj. Luis Puleio, chief of the Police Zone in Darien Province, will be the new Police Academy director; and Captain Oriel Gonzalez will be the new Traffic Department director.

Meanwhile, Legislator Edilberto Culiolis said that the charges against him are "completely false." Culiolis said that he was not armed nor did he fire shots during the demonstration at Plaza Porras. Culiolios said that he is not planning on divesting himself of his immunity to clear up these charges. According to Culiolis, Panama City Mayor Omayra Correa is the only one responsible for the Plaza Porras incidents.

EL PANAMA AMERICA has learned that Legislator Balbina Herrera has been out of the country since 13 June. Legislator Herrara traveled to Ecuador.

According to former Maj. Humberto Macea, trying to blame the police for the Plaza Porras incidents is removing oneself from the truth and core of the problem. Macea said that a reorganization of the police would only worsen the situation of a traumatized institution.

Regarding the punishment imposed on the officers, former National Police director Ebrahim Asvat said that "the lowest man on the totem pole always gets the blame." According to Asvat, the Government Ministry's decision is a "tragicomedy" in which the tragedy is for the police and the comedy is represented by the government.

Further on Appointments

PA1906204692 Panama City Telemetro Television Network in Spanish 1730 GMT 19 Jun 92

[Text] The four National Police officers suspended and arrested for acting negligently during the Plaza Porras events have been replaced. The change of command ceremony, strictly restricted, was held in the main National Police headquarters in Ancon Corregimiento.

Following an official statement by Government Minister Juan Chevalier, announcing the arrest warrant of four high ranking police officers and their separation from the National Police, no time was wasted in selecting and announcing their replacement.

Early on 19 June, National Police Director Oswaldo Fernandez conducted the change of command ceremony in which the new appointments were made. The media was denied access to the officers.

Major Jose Gomez is the new director of the Police Investigation and Information Department, replacing Major Miguel Nieto; Major German Pinzon is the director of the Community Affairs Department; Major Luis Puleio will leave the Darien Police Zone to head the Police Academy; Captain Daniel Poveda has been transferred from the Canal Police Zone to the Planning Directorate; the Metropolitan Police Zone will now be under Major Alberto Soto Cajar; and Captain Denis Quintero has been appointed acting police chief in Area A.

The four officers who were separated from their posts and are now under arrest were present for the ceremony. As a result of investigations, Majors Miguel Nieto and Ricardo Guardia, Captain Javier Licona, and Lieutenant Edgardo Falcon were charged with not having made the appropriate decision at a crucial moment during the 11 June Plaza Porras events. Policemen and demonstrators hurled tear gas canisters at one other, forcing U.S. President George Bush to leave the area.

Foreign Minister Denies Friction With U.S.

PA2106163992 Panama City EL PANAMA AMERICA in Spanish 21 Jun 92 p 2A

[Report by Arnulfo Barroso Watson]

[Excerpt] Foreign Minister Julio Linares denied on 20 June that there is any friction between Panamanian authorities and the U.S. Southern Command. The issue concerns U.S. military vehicles being constantly driven all over the capital without proper authorization.

Linares explained this type of "clash" occurs whenever two countries "live together," but the important thing is to let the big country know the small country has the right to demand respect for treaties the two countries have signed.

There is really no friction between Panama and the United States because U.S. Ambassador Deane Hinton has appreciated the Panamanian position from the beginning, the diplomat stated. [passage omitted]

U.S. Forces Said Close to Invading 11 Jun

PA2206224192 Panama City EL PANAMA AMERICA in Spanish 22 Jun 92 p1A

[Report by Orlando Mendieta]

[Text] "Panama came very close to being invaded again by U.S. military forces on 11 June because of the Plaza Porras disturbances, when U.S. security personnel felt unable to get President George Bush out alive," Christian Democratic Party Legislator Guillermo Cochez said.

According to Cochez, confidential reports reveal that the red alert that went off at the Southern Command came within minutes of its being put into operation to rescue Bush from what might have happened to him at Plaza Porras. The legislator added that, at one point, the U.S. Secret Service felt concerned about the impossibility of removing Bush from the Plaza Porras carnival.

"Although nobody in the government has said a word about it, we came very close to having the city invaded again by U.S. contingents in order to rescue Bush," he noted.

Cochez said that proof of this was that the personnel movement limitation "Charlie" remained in effect for over one week after the visit by President Bush. Cochez said local and U.S. authorities had advised against public events to welcome Bush. Despite that warning, the opinion of the foreign president's political strategists prevailed. They wanted to get the most out of the visit to Panama.

Bush's publicists wanted, among other things, to give a carnival atmosphere to the event, with little presence of uniformed policemen around the square. He said they did not want containers blocking the streets near the area.

The political leader also noted that Bush's political propaganda machinery asked that some demonstrators be allowed near the square so that the U.S. public would see that Panama now has a democracy thanks to President Bush.

He added that there was so much confidence in the backing of the U.S. forces that National Police Director Oswaldo Fernandez and Institutional Protection Service Director Carlos Bares were allowed to attend seminars abroad to keep commitments made before the Bush visit was announced.

Arnulfista Leader on Coalition With Opposition

PA1906204792 Panama City EL PANAMA AMERICA in Spanish 19 Jun 92 p 1A

[Text] Antonio Dominguez, a prominent member of the ruling Arnulfist Party (PA), confirmed to the local media on 18 June that he met with leaders of the opposition Democratic Revolutionary Party (PRD) and the National Integration Movement (MINA), with whom he is trying to establish "relations for the future."

National political groups said these meetings are possibly the preliminary steps for an electoral alliance, in preparation for the 1994 presidential elections.

Dominguez, also director of the National Immigration Department, said he had recently met with Ernesto Perez Balladares.

Dominguez said: "I still am not thinking about elections." Yet he warned that "current relations are valid in the future."

Possible Alliance Rejected

PA2106163792 Panama City EL PANAMA AMERICA in Spanish 20 Jun 92 p 4C

[By Eduardo Soto P.]

[Text] Aurelio Alba, high-ranking Arnulfist Party [PA] member, has called the suggestion by Antonio Dominguez for an alliance with the Democratic Revolutionary Party (PRD) in the 1994 presidential elections "crazy."

Alba, who currently holds the post of Legislative Assembly vice president, criticized Dominguez because he is always making statements "on his own," without consulting high-ranking party leaders. The Arnulfist legislator described a possible alliance with the pro-military PRD as a "betrayal" to the party.

Dr. Arnulfo Arias would never have reached an accord with the enemy, Alba stated. He recalled that Omar Torrijos (founder of the PRD) overthrew the political leadership in 1968, thereby disrupting the country's constitutional course.

As a member of the PA board of directors, legislator Alba said that the political party leadership has not discussed a possible alliance with the PRD. Visibly disturbed, Alba stated that "it would be senseless to seek an alliance with the heirs" of the Torrijist system.

Dominguez acknowledged that he held talks with Ernesto Perez Balladares, a visible member of the PRD and close aid of the late General Torrijos.

The PRD was the political structure that supported the military regime represented by Torrijos and Manuel Noriega. The latter was recently convicted for his connections to international drug trafficking.

"The Arnulfist rank and file would never accept a political understanding with the PRD," Alba stated. To become an ally of a political group that maintained dozens of Arnulfists in exile and committed electoral fraud affecting free elections in 1984 "is unthinkable," Alba added, thereby disavowing Dominguez' actions.

Party Head Denies Alliance

PA2306044092 Panama City Circuito RPC Television in Spanish 2300 GMT 22 Jun 92

[Text] Arnulfist Party President Mireya Moscoso de Gruber said it is still too soon to be talking about political alliances and ruled out any association of this type with the PRD [Democratic Revolutionary Party].

Moscoso de Gruber talked to us over the telephone from Boquete, Chiriqui Province.

[Begin Moscoso recording] There has been some talk about a possible alliance between the Arnulfist Party and the PRD. On the morning of 22 June, we issued a communique denying such an alliance between the PRD and the Arnulfist Party. First of all, it is still too soon to be talking about alliances. We continue to be working in our party all over the country's provinces, and we are still not thinking about the 1994 elections. No member of the National Directorate of the Arnulfist Party has been holding talks with any other party. If some members of the party have held such talks, they have been at a personal level, and the Arnulfist Party is not to be held responsible. [end recording]

Argentina

Gonzalez Denies Contacts With Arms Dealer

PY2206215892 Buenos Aires TELAM in Spanish 1423 GMT 22 Jun 92

[Text] Buenos Aires, 22 Jun (Telam)—Defense Minister Antonio Erman Gonzalez today denied newspaper reports involving him in presumed weapons trade transactions with trafficker Monzer al-Kassar. He categorically denied the existence of "personal contacts" with the said trafficker.

The defense minister said that "after thoroughly reviewing all official administrative records from the ministry, there is no evidence of his participation in weapons sales or operations."

In remarks to Radio America, Gonzalez denied personal contacts with al-Kassar, and said that "I do not know that man. I cannot say whether or not during a meeting with many people one day, he might have been close to me. The important thing is that there have been no negotiations or transactions," he said.

During the conversation he tried to explain the loss of a briefcase with documents from the ministry. He said that the loss was "temporary," as it was mistaken for one that belonged to Tony Cuozzo, President Carlos Menem's barber.

He said that the briefcase "was always among the baggage of the presidential delegation, and I do not believe that it could have been lost," he said.

He concluded by saying that if some stranger had access to those documents "he would have not found anything secret, because the briefcase contains publications we make at the Defense Ministry on this privatization process."

Government To Accept East European Immigrants

PY2206181292 Buenos Aires Radio Nacional Network in Spanish 1500 GMT 22 Jun 92

[Text] More than 10,000 foreigners have begun the bureaucratic procedure at different Argentine consulates abroad seeking to come and live in our country. Half of them are from the former Soviet Union and most of the rest from other East European countries.

This immigration will be preceded by a government amnesty for illegal immigrants from neighboring countries, estimated at about 300,000. It has also been learned that President Carlos Menem will sign the appropriate decree before the end of this week.

The Interior Ministry reported that during the next 12 months the government expects to receive 20,000 families from East Europe as initial proof that the Argentine immigration program can work. The 10,000 applications are considered a good sign because it was believed that most of those who were leaving their homelands wanted to go to West Europe or the United States.

The immigration proposal was only recently made by President Carlos Menem during a trip to Europe. One of the most important points to be solved by Argentine officials is that in order to promote immigration it is necessary to get financial assistance from European banks, the World Bank, and the Inter-American Development Bank.

Interior Ministry officials also disclosed that the selection process has already been defined. In principle, three groups will be accepted: the top group includes scientists, mostly from the former Soviet Union; the middle group includes professional technicians without experience in the business world; and the bottom group which will be located in urban zones. This will be the largest group and its size will depend on the financial resources.

* Retirement Reform Law Sent to Congress

* Details Provided

92SM0437A Buenos Aires CLARIN in Spanish 20 May 92 p 22

[Article by Alejandro Matvejczuk: "New Pension Law Before Congress"]

[Text] The national cabinet has decided to send Congress a draft bill on a new pension system. Only the Radicals and some deputies with trade union backgrounds are expected to oppose the proposal to privatize the retirement system. For persons over 45 years of age, there is no choice. The present system remains in effect, with the choice of obtaining a pension of only 70 percent of base salary or of retiring after working for a longer period than at present. On the other hand, persons under 45 will be required to come under the private retirement system, which will be administered by new pension funds to be established. (See following article.)

On 19 May the national cabinet approved sending Congress a draft bill to reform the social security system. If the bill, which is opposed by Radicals and some deputies with trade union backgrounds, is passed by Congress, persons who are under 45 years of age will contribute to a new pension system.

The reform is aimed at privatizing the official pension system in such a way that persons who are not yet 45 years old will cease contributing to state accounts, effective immediately.

Under the new system, pensions will be made up of two parts:

- A basic minimum income amounting to 20 percent of average salary, plus a small additional amount (in all, a sum that will vary between approximately $120 and $150) that will be financed by the state.
- Another fixed amount of income, guaranteed by a

private company, whose amount will be proportional to the contributions made from the time the reform takes effect until the date of retirement.

On the other hand, the contributions made by each worker will pay for disability and life insurance.

How Much Will Be Collected?

Despite the fact that the text of the draft law is still not known, many details have been known to CLARIN since the middle of 1991. For the workers, the law's major new feature will basically consist of the following: Their contributions will no longer be turned over to government entities but will be fully contributed to private companies. Those companies will be called Companies Administering Pension and Retirement Funds [AFJP] and will have the essential function of protecting the money contributed from the voracious appetite of the state. (See further information in the following article.)

Each contributor will have a kind of "special savings fund" in one AFJP or another from which money cannot be withdrawn. And the income from those funds? No interest will be payable, but there will be a variable rate applied, depending on the monthly return that each AFJP obtains from investing funds collected.

When the worker reaches the required retirement age of 60 to 65, he will have a right to two kinds of deposit: the contributions he made and the income made on each one of his contributions over the years, depending on how they were invested.

At the time of retirement, the contributor will be able to choose between two alternatives: agreeing with the AFJP on a scheduled, graduated retirement salary, based on all of the contributions he has made, that will enable him to collect a certain amount of money, proportional to what he contributed, for the remaining months of his life. That way, the money that remains in the account while the scheduled retirement payments are made will continue to earn the income that the AFJP agrees to pay to the contributors in the future.

The second possibility that the retiree will have will be to transfer his money from the AFJP to a retirement insurance company. This way, he will have a lifelong income (a variant of the scheduled retirement salary).

Since retirement income, called "retirement payments," will depend not only on contributions, but also on the income generated by them, each worker will only be able to have a general estimate of the money he will receive when he retires.

This way, those who enter the work force will contribute, knowing that the deductions made from their salaries will be for their own benefit. This is because the more money they contribute, the more they will receive in retirement income. (There will be a few exceptions, such as those who retire under privileged arrangements.)

Therefore, the new system will make inoperable two practices that are widespread in Argentina:

- Declaring a salary less than that received, by agreement with the employers, because, in practice, a greater income in the funds will not make it possible to guarantee higher benefits.
- Contributing as little as possible until the last five working years, because previous contributions have not been taken into account in the calculation of retirement benefits.

One unresolved problem affects those who have been contributing to the present system. Although the contributions made up to the present will serve to complete the minimum age necessary to retire, the money turned over to the state up to now will not be recognized as an integral part of the individual's "special savings fund" opened with an AFJP. To compensate for this, the state will guarantee a minimum income equivalent to 20 percent of the average salary, plus an additional ingredient. If the person contributes for more than 30 years, he will receive an increase of 2 percent to his minimum annual pension for each year. For example, if the pension guaranteed by the state were 100 (amounting to 20 percent of the average salary) and the person contributed for 45 years, then he will receive a basic pension of 130. (Two percent for each one of the 15 years of surplus contributions, that is, 30, plus the 100 reflecting the minimum pension.) The difference between this basis for calculation and what would, in effect, correspond to each worker will be paid by the state.

[Box, p 22]

A Worker Will Have to Work Longer Under the New System

Those who are over 45 years of age when the social security reform is approved and those who belong to some privileged system will not necessarily come under the new pension system. They will continue to depend exclusively on the state.

In any case, if the social security reform is approved, those who are over 45 years of age will have to enter a different system to retire, even if they choose to remain under the present system.

In the first place, pensions that are 82 percent adjustable will disappear. Under the new system every retired worker will have a right to no more than a 70 percent adjustable pension.

In the second place, the minimum retirement age will gradually rise, in accordance with a "concise table." Because the 82 percent adjustable pension will disappear, in practice, after the law is approved, the minimum age for retirement will increase by five years. That is, it will go from 50 to 55 for women and from 55 to 60 for men. Then, in the following years, it will increase by one year for every two calendar years.

Finally, the other change in the rules of the game provided for in the reform involves increasing the minimum period of contributions from 20 to 30 years.

[Box, p 22]

The New System

For workers over 45 years of age:

- Their entry into the new system is optional.
- They will receive the 70 percent minimum and adjustable income under the benefits of the new system.
- The contributions will be administered by the state, plus a tax (the "special social security tax").
- Beginning in 2001 they will be able to retire, based on the minimum retirement ages. (See table below.)

For workers less than 45 years of age:

- They will be required to come under the new system.
- They will receive between $120 and $150 from the state. The rest of their pension will be proportional to future contributions.
- Contributions will not be administered by the state, but rather by private companies (called AFJP's), which each person shall choose.
- When they reach retirement age, the money contributed (or deposited in AFJP's) will be withdrawn, on the basis of an income for life or a scheduled retirement salary.
- The minimum retirement ages will be the same as those in effect for persons over 45 years of age at the time the law is implemented.

Minimum Ages for Retirement

Year	Women	Men
1992	50/55	55/60
1993	56	61
1994	56	61
1995	57	62
1996	57	62
1997	58	63
1998	58	63
1999	59	64
2000	59	64
2001	60	65

* Private Sector Role Noted

92SM0437B Buenos Aires CLARIN in Spanish 20 May 92 p 25

[Article: "Social Security Reform: How Private Retirement Funds Will Work"]

[Text] The heart of the proposed retirement reform is the system of private retirement through the very new private companies administering retirement and pension funds [AFJP's]. The funds contributed by the workers will be received by these private companies and invested in shares of stock in private companies or in public securities. The worker will get back his investment, plus guaranteed earnings, when he retires. Furthermore, the system will again be based on the IPS [Social Security Tax] or an amended IEPE [Special State Social Security Tax].

How will the private retirement companies operate? The question still does not have a clear answer because the government has not completed consideration of all aspects of the draft law. On 19 May Rodolfo Diaz, minister of labor, tried to draw attention to another aspect of the matter when he said: "We are presenting the first three parts of the preliminary draft of a social security reform bill. The fourth section, which will institutionalize retirement insurance, has not yet been completed."

In any case, some details are available that make it possible to present the following picture of the situation affecting the operation of the AFJP's:

- There will be a number of AFJP's. The exact number has not yet been determined. Each worker will be able to choose freely among them to deposit his contributions.
- The minimum paid in capital required of these companies will be $1.5 million, plus the equivalent of 2 percent of the funds being administered.
- The AFJP's will not have direct access to cash. They will only be able to order the purchase and sale of securities, which will be deposited in some state institution (probably the Central Bank or the National Securities Commission).
- About 20 percent of the worker's contributions toward his retirement will be earmarked for life and disability insurance premiums and for a commission to the AFJP. The remainder, or about 80 percent, will remain in his individual account.
- Each company will be able to invest the funds deposited in public securities (bonds), private stocks, and negotiable instruments in predetermined percentages.
- Those investments will generate the profits that will be distributed among all of the contributors to the fund, in proportion to the money deposited by each person. There will be a minimum insured profit, as well as a maximum.
- The procedure for choosing an AFJP is a personal decision. Employers cannot impose any special company on the workers.
- The AFJP's will be able to collect commissions from workers when they enter a given fund, but not when they leave it.

Bolivia

Interior Minister on 'Young Coca Growers' Group

PY2206141092 La Paz LA RAZON in Spanish 9 Jun 92 p A11

[Text] When Interior Minister Carlos Saavedra Bruno was asked about the appearance of leaflets of a group called "Young Coca Growers" in Chapare he said: "Comments like 'Coca or Death' are part of Bolivia's past."

The leaflets that appeared last week saying "Coca or Death; We Will Win" are perhaps an effort to paraphrase the slogan "Fatherland or Death" under which Latin American movements of the 1960's and 1970's operated. Those responsible for the leaflets have not yet been identified. Some officials have said, however, that this may be an effort "to organize a subversive organization." Minister Saavedra has discarded that possibility.

Saavedra said: "I do not have one of the leaflets. Once we have it we will study their content." He added that he found in the phrase ("Coca or Death") "a sign that the methodology of some when dealing with this type of problem is obsolete."

Saavedra believes that this is not the way to handle this problem. He added: "I would say that this issue should be coca or life, coca or hope, or coca or development. The idea of dealing with this issue in the traditional 'Coca or Death' style means a lack of understanding of the real problem of coca."

Clandestine statements were made in the Ivirgarzama area in Chapare a few days ago. The statement called for a "revolutionary and prolonged" struggle in the region and exhorted coca producers "to plant new plantations and to expel by force the U.S. advisers of the official policy against drugs."

Using the language of the region, the statement also said that "Chapare will not become a military base but the trench for national liberation."

Saavedra Bruno disregarded those proposals. He said: "They are still thinking of the times of confrontations in Bolivia. They are looking back. This is a group advocating the schemes that were implemented in the old Bolivia."

Chapare in Cochabamba, where the leaflets appeared, and the Yungas region are the main coca production areas. In contrast with Yungas, there have been confrontations in Chapare between antinarcotics forces and the people. Recently a peasant was killed, apparently by members of the Rural Area Police Patrol Unit (Umopar). Some sources believe that the appearance of the leaflets may worsen the situation.

More on Unrest in Chapare

PY2306011792 La Paz LA RAZON in Spanish 9 Jun 92 p A11

[Text] A legislative committee has warned that desperation prevails among the Chapare Region peasants over the lack of an alternative development program. The committee noted: "Repression alone will not be able to eliminate drug trafficking in Bolivia."

Gonzalo Mercado, the Chamber of Deputies Antinarcotics Committee chairman, yesterday warned that the proposal to wage an armed struggle in the coca producing areas in the Chapare Region can find fertile ground, and a response in keeping with an atmosphere of constant social tension and the peasants' desperation over the lack of real alternative development programs.

Mercado, a deputy for Cochabamba Department, where the largest coca producing areas are located, is very well acquainted with the real situation prevailing in the Chapare Region, which he visits very frequently.

The deputy acknowledged the emergence of irregular groups that disseminate pamphlets, as reported by the newspapers.

Mercado said the dissemination of pamphlets must be taken into account because an atmosphere of constant social tension prevails in the Chapare Region, and anything could happen, "including this type of extremist attitude involving an armed struggle." In order to prevent this, the government should promote rograms that represent an alternative to coca growing.

The congressman clearly warned: "Desperation prevails among certain peasants in the Chapare Region because, despite their constant efforts to replace their crops, an appropriate response by the organizations financing alternative development is missing."

Mercado noted: "Conditions could be present if we do not improve those programs. It is not a matter of being careless. This type of pamphlet in another social sector would be historically misplaced. Sectionalism [foquismo] and armed struggle have been conceptually overcome in our country, but they could find a response in the Chapare Region among poor peasants or coca stompers sectors, that could engage in them as a way out."

Mercado proposed that the state security systems definitely intervene in this field until the presence of this type of activity in the Chapare Region is resolved, in order to prevent these efforts from progressing.

Nothing Has Changed

Congress has stressed that the alternative development program has not managed to include large peasant sectors, and just limited itself to cover small groups of growers concentrated in various locations.

Mercado said: "The peasants have not improved their standard of living; anyone visiting the Chapare Region can confirm this. Perhaps some peasants have, who are producing a lot and are involved in drug trafficking, but nothing has changed for common peasants."

Colombians Represent a Threat

Deputy Mercado was asked about the alleged presence of Colombian drug traffickers in the Chapare Region. He said: "This is usual. The problem is that we do not create the appropriate conditions in the producing zones."

Mercado said there is no other solution but alternative development, because repression alone will not be able to eliminate drug trafficking in Bolivia—and therefore industrialized countries must cooperate.

Official Response

Meanwhile, Interior Under Secretary Marco Antonio Oviedo said the Interior Ministry has decided to send a commission to confirm the existence of the "Young Coca Growers" group, which is advocating armed struggle.

Brazil

Collor Criticizes 'Slanderers,' Urges Support

PY2206232792 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Jun 92 p 5

["Text" of speech to the nation by President Fernando Collor de Mello in Brasilia on 21 June]

[Text] The time has come to say enough! The people can no longer bear the lies and falsehoods that have found shelter in certain press organizations.

I am calm, and I want to convey a calming word to all Brazilians, who know that we are conducting the great national task of reconstruction.

There has been enough slander, which I will continue to refute, keeping open my option to file suit.

Those who use careless accusations to achieve a moment of publicity and personal fame will not remain unpunished.

The last issue of a weekly magazine brings, though late in coming, the rancor of a defeated man.

Nothing of what he says is true; not a single word.

He never warned me of any irregularities that were taking place in government, and he never gave me a name for my consideration.

The statement on interference in the electoral process is a lie.

I have never authorized former assistants to submit requests that are far from the public interest.

I have never authorized any person, no one, who was not a member of the top level of government, to speak in my name on decisions of the administration.

Within the government, my personal action has always been ruled by absolute good faith, by the strictest adherence to ethical principles.

I have been absolutely rigorous in the investigation of all charges brought against officials of the federal administration.

I have always acted in a manner consistent with facilitating the work of the courts.

I will carry to the end, regardless of the cost, regardless of how painful it may be, the banner of the struggle against corruption.

I am guided only by respect for the law, for the Constitution.

Therefore I am not afraid of those who have taken advantage of my good faith and have now become slanderers and they cannot hide the bitterness of their own failures.

It is suspicious and strange that they say they know a lot but it is only now that they make it public. Why? It seems that all that is needed is to have a setback, then invent a story, and thus anyone can make the headlines, large spaces in magazines and weeklies.

To investigate the truth of matters is no longer fashionable. It is as though certain parts of the media have become a court of last resort. They select the testimony of the accusation, they select events, and then hand down a sentence.

I believe that we must stop for a moment to ponder all of this. Is there a real crisis? Or is it a sum of charges that have not been proven that feed sensationalist reports? Is there a real crisis? Or just the efforts of a few to create that atmosphere?

Who gains from this fanciful speculation about political deals that point clearly to a fraud in institutions?

At this time it is necessary to recall, it is necessary to think of the interests of the majority, of the common citizen, who cannot allow himself to be dominated by the falseness of rumors, by the speculation of lies.

It is necessary to think of Brazil because there is a lot of work, problems to be overcome and challenges to be met. As a counterpart, the triumph of truth demands the responsibility of each and everyone. That is the necessary path for the defense of our basic institutions, for the strengthening of the desire that democracy be the empire of law and respect, my people, and of respect for the rights of the human being.

We cannot fall into the spider web of those who do not want normal conditions, of those who benefit from the imagined threats of catastrophic fantasies.

Brazil needs normalcy, peace. This does not mean a paradise without difficulties. Normalcy does mean that society sees problems emerging without believing that they will undermine the foundations of community life.

Democracy, for which we have fought so hard, has the advantage of allowing us to overcome eventual obstacles without surprises, without breakdowns within normalcy.

Thus, within normalcy we will overcome the mean-spirited, irresponsible, and lying attempts to involve the government and the president in the charges of those who have failed, and those who find their supporting testimonies are full of jealousy, malevolence, and resentment.

Time will demonstrate the levity of these attempts, and the law will have to punish the true instigators of the irregularities and the authors of the false charges.

My people: No one, no one has the right to stop Brazil. These minor episodes, the provincial hate cannot be an obstacle in the path of the great project of national modernization that is being conducted by me and a cabinet team of immense intellectual and moral capabilities that are recognized throughout Brazil.

The immense majority of the Brazilian people is determinedly and with sacrifice fighting for a better country, an honest, dignified, and socially just country. A country that will not have a place for adventurers of the lie.

I want to remind you today my people the request that I made when I closed my speeches during the presidential election campaign: Do not leave me alone. I need you, more than you have ever thought.

Together, united, we will not allow our fatherland's enemies to achieve their rotten objectives. We are a people who believe in the value of work, in the value of honesty, and who believe in the future of our country.

God will bless us in our greatness. Good night.

[Rio de Janeiro Rede Globo Television in Portuguese at 2303 GMT on 21 June broadcasts Collor's speech. O ESATDO DE SAO PAULO reports the speech was recorded and later broadcast on both television and radio.]

Collor Says He Will Fulfill His Mandate

PY2306114892 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 22 Jun 92

[Text] President Fernando Collor has said he will fulfill his term in office and called on the people to raise the level of the political debate. The president met with journalists and asked them to concentrate more on the projects that are important for the development of the country.

The meeting with the president at the Planalto Palace lasted one hour and 20 minutes. The president was calm and spoke almost without interruptions. He only answered three questions at the end of the meeting.

He began by praising the organization of the Rio-92 conference which he said was the largest international conference in history. He then commented on reports involving his government.

Regarding Pedro Collor, he said he is not sure why his brother made all the claims that he did. The president asked: Was it rage or envy? He said he had no alternative but to sue his brother.

Regarding his term in office the president said he had a mandate and he will fulfill it until the last day, adding that his future public life is conditioned on the total fulfillment of his mandate.

The president asked the reporters to give more coverage to topics that are of interest to the country, citing the fiscal adjustment project, port modernization, and the electoral and political party reforms. He said that the media are trying people even before justice has time to work.

The president said the continuous reporting on irregularities only favors the experts and speculators who take advantage of the market's ups and downs.

Collor said his government will not allow any parallel action that takes advantage of government influence operating in the shadow of the government. The president added that all charges are being answered.

The president said he did not believe reports of irregularities or that inquiries threaten democracy. He added that there was an attempt to create an artificial crisis that would only benefit speculators.

The president said he has extracted something positive from all the reports and charges: He said, as an example, that he now understands human nature better, including false friends and fair weather friends.

Denies Influence-Peddling

PY2206153492 Madrid EFE in Spanish 1455 GMT 22 Jun 92

[Text] Brasilia, 22 Jun (EFE)—Brazilian President Fernando Collor said today: "I will stay in office until the end of my term." He thus responded to the ongoing nationwide discussion on whether he should be ousted by Congress.

The 42-year-old president told a group of journalists that Brazil's current political crisis is being caused "by groups working hand in hand with speculators," adding that many of the influence-peddling charges against the Federal Government are groundless, anonymous, and untimely.

On the subject of businessman Paulo Cesar Farias, the main target of the charges and the treasurer of the 1989 presidential campaign, which Collor won, the president

stated that he will leave matters in the hands of the courts, reiterating that neither friends nor relatives should take advantage of his power.

Responding to successive charges of influence-peddling and the mismanagement of public funds by government officials, Collor emphasized that "it would be interesting to see who is benefiting from this atmosphere and why these people who are saying that they are working for the good of the country did not level these charges earlier."

Collor asked the journalists not to allow the charges to distract attention from the congressional debates on issues such as fiscal adjustment, electoral reform, and the possible institutionalization of a parliamentarian system of government.

For the second time in slightly over 12 hours, the president downplayed a statement by Renan Calheiros, one of the coordinators of his presidential campaign, who stated that in 1990 he warned Collor against Farias' shady deals.

Last night Collor addressed the nation over a radio and television network to refute Calheiros' remarks which, he said, were prompted by Calheiro's defeat at the 1991 gubernatorial elections in Alagoas State.

In December 1989, Collor won the first presidential elections [as received] since 1960, running against Workers Party candidate Luiz Ignacio Lula Da Silva. His presidential term ends on 1 January 1995.

Former Deputy Warned Collor of Farias Actions

PY2206135692 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 21 Jun 92 p 4

[Text] Renan Calheiros, former government leader in the Chamber of Deputies, said he was certain that President Fernando Collor knew that Paulo Cesar [PC] Farias was the middleman handling funds and businesses of some ministries. Calheiros—who was the first political coordinator of the government and a friend of President Collor during his presidential campaign and in the early stages of his administration—asserts that he warned Collor about PC during the months prior to the Alagoas State elections in October 1990. "Collor then opted for the criminal system of a parallel power masterminded by PC," Renan charges, adding: "That was the great mistake of his administration."

Calheiros told AGENCIA ESTADO that he went to see Collor in April or May 1990 to discuss PC's activities. Calheiros said: "I warned him then that the PC crisis would not end well," adding that at that time he told Collor: "It may become more complicated, it may backfire."

Calheiros says that every time he tried in Brasilia to discuss with Collor PC's attempts to fix the election results in Alagoas, Collor would change the subject. He added that this is why he decided to break away from the government in November 1990. "The government chose to go against those who wanted public morality," Calheiros says with regret.

After denouncing the existence of PC's "parallel ministry," Calheiros began to avoid news conferences for fear of having to testify before the Commission for Congressional Investigation [CPI] that is investigating the activities of the businessman PC Farias, who was treasurer of the PRN [National Reconstruction Party] during the 1989 election campaign. On 17 June Calheiros learned that perhaps he would not be called to testify although he had been associated with the case through the president's youngest brother Pedro Collor as being one of those withholding information about PC. Since then, Calheiros began talking about the case.

If the CPI calls him to testify, Calheiros promises to confirm that he warned the president about PC's activities. He also guarantees that he will "confirm connections" between PC and the federal government and that he will tell everything he knows about PC's participation in the election fraud in Alagoas.

After breaking away from Collor following his defeat in the Alagoas State gubernatorial elections when he was beaten by Geraldo Bulhoes (PSC) [Social Christian Party], Calheiros allied with Senator Divaldo Suruagy (PMDB-Al) [Brazilian Democratic Movement Party - Alagoas] and changed from the PRN to the PMDB. Calheiros was being kept up their sleeves by the PMDB as a wild card against Collor for the 1994 elections.

President Collor called Calheiros on his birthday in September 1991 to attempt a rapprochement. According to Calheiros, Collor told him: "Your absence concerns me a lot." During a telephone conversation—at the height of the corruption charges against former Labor Ministers Antonio Rogerio Magri, and former Health Minister Alceni Guerra—Collor told Calheiros that nothing of what was being published "was true."

New Course

PMDB President Orestes Quercia has reported in Bauru that the main leaders of his party, including Chamber of Deputies President Ibsen Pinheiro (Rio Grande do Sul), and Senate President Mauro Benevides (Ceara), will meet in Brasilia on 23 June to discuss the PC case.

"The time has come for the president to address the nation through a national television and radio network to explain whether he is linked to the problem or not," Quercia stated.

Senator Eduardo Suplicy (Workers Party - Sao Paulo) said in Sao Paulo that Renan Calheiros' statements change the course of the investigations. "The CPI will now enter a new stage," he said. "We will verify who connived or participated in the case."

Chile

President Interviewed on Politics, Economy

PY1906225992 Santiago EL MERCURIO in Spanish 7 Jun 92 pp D1, D2, D3

[Interview with President Patricio Aylwin by EL MERCURIO reporters Raquel Correa, Blanca Arthur, and Andres Benitez for the Americas Newspaper Group which consists of EL MERCURIO of Santiago, LA NACION of Buenos Aires, EL COMERCIO of Lima, EL TIEMPO of Bogota, and EL COMERCIO of Ecuador; place and date not given, italicized passages are editorial comments]

[Excerpts] [passage omitted] [EL MERCURIO] Would you say that the issue of human rights has already been resolved?

[Aylwin] It will never be completely resolved. Very few countries can show greater success than us, however, comparing what we have done since the end of the authoritarian regime with their experiences. People in Chile know the truth and have understood it. The victims were vindicated and their relatives are being compensated....

[EL MERCURIO] Do you think the attempt to bring General Manuel Contreras to trial for his part in Orlando Letelier's assassination is positive?

[Aylwin] I think it is positive, and I have always said it is necessary. I was the one who announced that the government would do everything possible to bring this about.

[EL MERCURIO] Will your desire for justice be satisfied when you see Contreras tried just for the Letelier case and not for a number of other crimes attributed to the intelligence agency that he directed?

[Aylwin] I would like to see everyone tried for all crimes, but I have always said: "As much justice as possible." Some cases cannot be tried because of the Amnesty Law or other circumstances.

[EL MERCURIO] Do you think the Amnesty Law, which was dictated by the military regime, helped national reconciliation or has it been an obstacle to justice?

Aylwin ponders before answering

[Aylwin] Without the Amnesty Law we probably would have had a proliferation of trials that would have hurt our reconciliation. But...the Amnesty Law has undoubtedly been an obstacle to justice.

[EL MERCURIO] The Amnesty Law covers the period between 1973 and 1978. What do you think about a new amnesty law to cover the rest of the past government's period?

[Aylwin] The government will not present any bill on a new amnesty law.

[EL MERCURIO] Some legislators have discussed the possibility. Would you agree to it?

[Aylwin] When I say that the government will not propose any new legislation on the subject I am also saying that the government will not support any initiative on those lines.

[EL MERCURIO] There are still political prisoners in Chile two years after the advent of the democratic government. Do you think that is compatible with democracy?

[Aylwin] Purely political prisoners....

[EL MERCURIO] Are all those still in prison common criminals?

[Aylwin] Let us understand each other. Do not interrupt me before I finish. *Aylwin speaks firmly but softens his words with a broad smile.*

Purely political prisoners are those who have committed purely political crimes, such as illegal association, illegal entry into the country, and offense to authorities. But there are crimes involving the spilling of blood--sometimes terrorist crimes, sometimes common crimes—carried out with a political purpose in mind. Those crimes are not purely political. When a person is killed no one can say that the crime was purely political. It is homicide, perhaps politically inspired just as there are crimes of passion. In round numbers, when I took over power there were 400 individuals in jail for political crimes or politically inspired crimes. Today only 40 political prisoners remain in prison. Those who remain were all involved in acts of terrorism or in the spilling of blood for political purposes.

[EL MERCURIO] Will you pardon them too?

[Aylwin] I will discuss pardons after I have received all the information at the end of the trials.

[EL MERCURIO] You have said you were not going to pardon those who spilled blood, but in practice you have.

[Aylwin] I never said I would not pardon them. The program contemplated alternative ways to implement justice. Many of those involved were imprisoned for many years and many were tortured. Some were later found to be innocent. We wanted the courts to decide on those cases but Congress did not approve our proposals and offered me the prerogative of pardoning them. I used that prerogative in accordance with my conscience.

[EL MERCURIO] Would you pardon Carabineros if they are found guilty of the slaying of three Communist leaders?

[Aylwin] Well...that would be an entirely different situation. Would it not?

[EL MERCURIO] They are from the other side.

[Aylwin] They are not only from "the other side," *Aylwin says angrily* they are not political crimes. I do not know what justification they might have. This is state terrorism, but we will wait and see the sentences handed down by the courts.

[EL MERCURIO] Mr. President, when you say "state terrorism," do you mean that the Carabineros were involved in state terrorism as an institution?

[Aylwin] No. I have always said that criminal actions are the responsibility of individuals. The fact that there are Carabineros, military men, professors, or physicians does not mean their institutions are responsible.

[EL MERCURIO] But you mentioned state terrorism. Are you saying there was state terrorism during the previous regime?

[Aylwin] There is no doubt about it. Who can ignore it after reading the Truth and Reconciliation Commission report?

[EL MERCURIO] Would you pardon the murderers of Senator Jaime Guzman, which occurred during this administration?

[Aylwin] I cannot speak about pardons without full knowledge of the cases in question. In principle, I am against the death penalty. Consequently, and with the exception of very specific cases, I would tend to pardon individuals condemned to death.

[EL MERCURIO] At the beginning of your government you said that no one would be executed during your term in government. Would you change your position in "very specific cases."

[Aylwin] No one can establish absolute rules on the subject.

[EL MERCURIO] Why did you wait until after Sen. Guzman's murder to adopt a security policy?

[Aylwin] That statement is false. It does not relate to the facts. In my message delivered on 21 May 1990, just two months after coming to power, I discussed the problem of crime and terrorism and the measures we were studying and implementing. Prior to Sen. Guzman's murder I met opposition leaders, seeking a consensus on formulas to face this problem. One of the most ill-intentioned campaigns, in my opinion, was the repeated comment that the government came to power believing that terrorism and crime would automatically go away once democracy was installed. We never thought that was realistic! We always considered it a problem that had to be faced.

[EL MERCURIO] You handed the responsibility for this to the investigative and uniformed police departments, but then problems emerged over the Investigative Police political espionage plan.

[Aylwin] We always have said that order and security were the responsibility of the forces of order and security. That annoyed some opposition groups that wanted the Army to continue to intervene, particularly the Army intelligence services, that is, what was left of the former National Intelligence Service.

[EL MERCURIO] Did they say this to you directly?

[Aylwin] In every tone of voice they said that the Carabineros and the Investigative Police were not sufficient, were not the appropriate organizations. Basically, they wanted this matter to remain in the hands of the national defense institutions.

[EL MERCURIO] Do you share General Horacio Toro's doctrine regarding security?

[Aylwin] If I shared the doctrine that was imposed in the training of Investigative Police personnel, which led to this scandal, then Mr. Toro still would be the Investigative Police director. And if I immediately accepted his resignation, it is because I do not share that doctrine and I have been very explicit about this.

[EL MERCURIO] Mr. President, how do you explain the Interior Ministry asking Toro for advice regarding the same matter despite your determined position?

[Aylwin] Toro has admitted that he committed an error. When I accepted his resignation, I repeatedly said that he was an honorable and intelligent person, a person who carried out a good task by improving and cleaning up that institution in an extraordinary way. He has the knowledge and the experience to carry out the functions of an adviser without executive duties, which is not his job now, and he can provide good service to the government.

[EL MERCURIO] Toro and, to a certain extent, your government have justified the surveillance of the Armed Forces through the Falcon Plan. Do you believe that it was necessary to keep General Augusto Pinochet under surveillance since the Army confined itself to barracks?

[Aylwin] Look, I did not says the Armed Forces had to be kept under surveillance nor that Pinochet had to be spied on, but those individuals carrying out activities contrary to state internal security or to the republic's institutionality must know that there are organizations that can prevent their activities, no matter who they are.

[EL MERCURIO] Do you believe the government should assume some political responsibility if the Chamber of Deputies committee investigating this case...

[Aylwin] What do you understand by political responsibility?

[EL MERCURIO] That some minister should fall...

[Aylwin] No. No minister is going to fall.

[EL MERCURIO] Mr. President, some people say that Chile has returned to democracy, thanks, to a certain extent, to Pinochet. Would you say that Pinochet's weight has been felt once again?

[Aylwin] You are wrong on both points. Let us be just. Pinochet approved a constitution tailored for himself in the hope that his tenure would be renewed for another eight years in the 1988 plebiscite. If he had achieved this desire, Chile would not have returned to democracy. Some of us believed that we had to undertake the return to democracy under the rules of the game that had been imposed by the authoritarian regime, and it is very probable that I am where I am because I was one of the first to uphold this in a public forum. This meant that we had to face the plebiscite, and we won it. Let me tell you: History will be the judge. *And, he continues unhurriedly:* I honestly believe that Gen. Pinochet's conduct since the plebiscite, and specifically since my election, has been the conduct of an Army commander in chief. Undoubtedly, this has been a serious limitation for him and I have pointed this out on more than one occasion. It must be very difficult for the person who has exercised total power for 16 and a half years to accept that he must be subordinated to the president of the Republic and the defense minister and not be able to exercise power as he wants to. He has his merits and I acknowledge them.

[EL MERCURIO] Do the Armed Forces, and especially the Army, weigh on you psychologically? Do they place limitations on you? Do they restrict you?

[Aylwin] Look, I am not restricted. It is true that Pinochet and some Army organizations sometimes say they are uncomfortable with the government's positions. I have tried to be as deferential as possible and to respect the institutional rules, and I have established this line of conduct.

[EL MERCURIO] The world still does not understand our democracy with an elected president that keeps Pinochet on as Army commander in chief...

[Aylwin] Ours is undoubtedly a totally atypical case: It has not happened in any country in the world. Some people believe that Chile has a regime like those of other countries where the president is a puppet and the Armed Forces commander in chief holds the real power.

[EL MERCURIO] Is this not Chile's case? Have you never felt like a puppet?

[Aylwin] No, it is not Chile's case. This is categorically not Chile's case.

[EL MERCURIO] Personally, have your relations with Pinochet been better or worse than you thought they would be?

[Aylwin] Look, my relations with him have been better than I feared tyhey would be.

[EL MERCURIO] What feelings do you have now?

[Aylwin] On the human side we have a good understanding. He has quite a sense of humor...

[EL MERCURIO] Does he make you laugh?

[Aylwin] We make each other laugh.

[EL MERCURIO] When you meet him, do you consider him only as the commander in chief or does Pinochet appear to be the ruler?

[Aylwin] My relations with him are president of the Republic to commander in chief. I do not have to act in any other way.

[EL MERCURIO] Do you not you feel uncomfortable knowing that you will finish your mandate within two years and he will stay on?

[Aylwin] No. I have no personal vanity.

[EL MERCURIO] Would you say that this is a problem for the next president...? *With a hearty laugh, his only comment is:*

[Aylwin] No, that does not bother me. It is not my problem.

[EL MERCURIO] What kind of advice will you give your successor on how to handle him?

[Aylwin] I do not give advice unless I am asked for it. If I am asked for it, I will recount my experiences. [passage omitted]

[EL MERCURIO] Are you worried that if the Christian Democratic Party [PDC] breaks away it could rupture the coalition?

[Aylwin] I am serenely awaiting the results and I think the conclusions must be drawn in due time. In any case, I do not think it is a good idea to grant tremendous powers to a party in relation to others.

[EL MERCURIO] If you were the only one capable of preventing a confrontation within the coalition, would you be willing to run for reelection?

[Aylwin] I do not think it is a true hypothesis.

[EL MERCURIO] How do you think, Mr. President, that the coalition can be maintained with an ally that will apparently always be smaller? Do you agree, for instance, with the need to change the political system to prevent a disruption of the coalition?

[Aylwin] Well, this is a matter to be discussed by the political parties. In theory, I like the semi-presidential system.

[EL MERCURIO] As chief of state or as prime minister?

[Aylwin] Not the parliamentary system, but one like the French system is what I like in theory. I have my doubts, however, about the suitability of a system that is not well

established on solid political parties. But I hope that in due time it will be consolidated in Chile.

[EL MERCURIO] If that is the theory, what is the path to maintain unity?

[Aylwin] The other alternative is to make formal agreements. Agreements are possible within a coalition: agreements or commitments concerning the way to elect candidates who will guarantee all sectors, in which the majority party will not always be sure that the candidate will be one of that party. I believe the coalition must look for ways to walk together and unite in these and future elections.

[EL MERCURIO] As head of the PDC, which has been allied to the right against Popular Unity [UP], do you rule out the possibility of your party's alliance with rightist sectors or do you think you should remain united with the left in a solid manner?

[Aylwin] My view is categorical. It is true that I was allied to the right because of the risks and threats that the UP represented at a given moment, but I feel, as does the PDC, much closer to the democratic left than to the right. I think we have a common feature of concern for social justice much more than in the right, where the feature is rather weak, if at all. This is characteristic of progressive movements, and the PDC and the parties of the left are progressive. The parties of the left had some totalitarian characteristics, but today they appreciate democracy and freedom as essential elements. I think the coalition is the most logical alliance of the PDC and the one that offers the best alternative for the country because it is the only one that reconciles democracy with social justice.

[EL MERCURIO] Mr. President, how would you answer the statement that your economic policy is the same policy implemented by the previous regime? *Annoyed, he rejects the statement that he follows the same policy; he makes himself more comfortable, and begins outlining the differences without permitting any interruption.*

[Aylwin] First, we implemented a tax reform so that those who earn more contribute more to meet the needs of the poor concerning health, education, and housing.

Second, we changed the labor law to strengthen the bargaining power of workers through the unions.

Third, we immediately sponsored a salary policy that was the fruit of understandings between workers and employers and not the imposition of employers' ideas, as been during the past regime.

[EL MERCURIO] But...

[Aylwin] Wait, I still have many more examples that mark a difference with the past. *He continues:*

The regime had a dogmatic prejudice against the government. It could not intervene in the market because this went against its anti-subsidy role. I do not believe in this. I think the government must intervene every time it is necessary to ensure the common well-being, within an open and competitive economy. First, to ensure an equal basis of competitiveness, avoiding the existence of monopolies, and second, to compensate for deficiencies, like in the field of infrastructure. What is more, the environmental aspect had been totally abandoned.

[EL MERCURIO] Overall, do you find the legacy of the past regime good or bad?

[Aylwin] Good and bad. I always said during my campaign that I wanted to preserve the good, correct what was regular, and eliminate the bad.

[EL MERCURIO] What is the good?

[Aylwin] I would say the economic model. A competitive market open to other countries is good. That is positive.

[EL MERCURIO] Would you recommend it to other countries?

[Aylwin] I think it is pretentious for a president to make recommendations to another country. However, it is obvious if one looks around the world because the market system broadly prevails, even in the former socialist countries. What I now say is that a market policy by itself is not perfect. There must be concern for the social aspect.

[EL MERCURIO] Do you like the competitive and open market model because it is fashionable in the world, as you once told Northern Hemisphere businessmen, or because you are convinced of its benefits?

[Aylwin] Look, I continue to believe that when, in the 1940's, this country implemented a policy of suspending imports, where the government supervised the economy by creating companies like Endesa [National Electric Company, Inc.], Cap [Pacific Steel Company], and Enap [National Petroleum Enterprise], it was the correct thing to do at that moment. To complain about government intervention during that stage would be unfair. I do not think Chile would be in its present position if it had not done that. Despite that, I feel that now, considering what is happening in the world, the market system is more adequate, but we must maintain the necessary safeguards so that the government can maintain the common well-being over the interests of a few in the event of a clash.

[EL MERCURIO] Considering your criticism of social matters related to the previous regime, how do you explain the fact that many officials of the previous regime are being hired by foreign countries to advise on social issues?

[Aylwin] Well... these governments must have a reason for contracting them, but I...

[EL MERCURIO] You wouldn't contract them?

[Aylwin] No, I would not. *He answers with a smile and closes the issue.*

[EL MERCURIO] Despite the efforts that you have made in the social field, why do you think it continues to be the weakest government area?

[Aylwin] It is logical. We inherited a dramatic situation. Five million poor in a country of 13 million inhabitants is a very serious problem, and I never thought we were going to be able to solve it in four years.

[EL MERCURIO] Do you think there will be 5 million poor when you leave the government?

[Aylwin] I do not know how many, but I think the number of poor is shrinking.

[EL MERCURIO] Do you think this is also a matter of time; or as the opposition alleges, does it have to do with the efficiency with which the government handles resources?

[Aylwin] Time is undoubtedly not the only factor with which to defeat poverty. Political will, which was lacking before, also matters. People told me not to increase taxes because it would paralyze the economy. But taxes were increased and the economy did not stagnate; people told me not to grant more power to the unions because investments would decrease, but investments are firm. I believe that these were selfish arguments made by those who wanted to defend their own pockets and not the country's well-being. But efficiency in these matters is of course fundamental, and if there are any problems in this area I will be the first to try solving them.

[EL MERCURIO] Will you fulfill the commitment achieved with the RN regarding tax cuts once your term expires?

[Aylwin] I personally did not make any commitment. The commitment we made was for tax increases to be in force for these four years, but we—at least I did not—say anything about decreasing taxes later. This is something that will have to be discussed.

[EL MERCURIO] Are you in favor of a continuation of the reform?

[Aylwin] I did not request an indefinite tax increase; I requested it for my administration. If the next president requests higher taxes, I as a senator would vote in favor. [passage omitted]

[EL MERCURIO] Mr. President, do you expect to sign the free trade accord with the United States?

[Aylwin] I doubt it will be concluded during my term. History reveals that these accords are implemented very slowly.

[EL MERCURIO] Do you think that some progress was made on this matter during your recent visit to the United States?

[Aylwin] Great progress was made; before my visit we just had a plan and we returned with a formal commitment.

[EL MERCURIO] Why did Chile refuse to join the Common Market of the South [Mercosur]?

[Aylwin] Because our economic development is much higher than in some Mercosur member countries, a fact that would create many problems.

[EL MERCURIO] Do you not think that Argentina, which has quickly moved forward a free economic system, might replace Chile as the leader in the region?

[Aylwin] Look, I do not care about the matter of leadership. We seek cooperation and this clearly is also the case of Argentina. We signed a treaty that may become a free trade accord in the future. There is a very important exchange of activities between the two countries, and the fact that Chilean enterprises are investing in Argentina and winning major bids is very positive and shows that cooperation and integration are feasible.

[EL MERCURIO] Do you share the Chilean agribusinessmen's belief that this integration could harm the health of the country's agricultural situation?

[Aylwin] I understand that position, but I do not fully share their point of view. I think this has been exaggerated because the Chilean Government has taken all necessary precautions in this regard. Consequently, I believe that the transit of goods does not entail any danger for our country. Anyway, the two governments are alert to prevent any problem.

[EL MERCURIO] There is also concern that by opening its ports to Argentina, Chile is granting a competitive advantage to that country.

[Aylwin] We have to understand that the treaty was formulated on the basis of competitiveness. Furthermore, it was established that any measure on traffic should be taken on the basis of reciprocal convenience. Precautions have been adopted, and the issue should be analyzed case by case.

[EL MERCURIO] Mr. President, Do you consider democracy in Latin America to be stable after the events in Haiti, Venezuela, and Peru.

[Aylwin] The situation in those countries is worrisome, and it obviously leads us to think about the need to reinforce democracy.

[EL MERCURIO] How? through common armies or through the OAS forces?

[Aylwin] By resorting to the mechanisms we have been implementing, that is, by endorsing democratic governments.

[EL MERCURIO] Why then did Chile oppose the adoption of punitive measures against Peru?

[Aylwin] Solutions do not always entail punitive measures. There are other types of solutions. I believe that the agreement reached with the OAS and President Fujimori's announcement to call a democratic election for the establishment of a constituent assembly with legislative powers in Peru could become the way to solve the problem satisfactorily.

[EL MERCURIO] President Fujimori has just stated that he is determined to visit Chile. Will you receive him?

[Aylwin] I invited Fujimori to visit Chile when he took power. We now will have to determine the appropriate time according to the circumstances.

[EL MERCURIO] Do you think that a similar situation could take place in Chile considering the disgrace affecting some politicians?

[Aylwin] I see no grounds for this to occur. I think that some people seek to exploit this disgrace, and Chile will overcome the frightening authoritarian regimes and will refuse the possibility of returning to dictatorship.

[EL MERCURIO] Will Chile and Peru resume the negotiations on the agreement signed in 1929?

[Aylwin] We resumed talks early this year, and we decided to suspend them because of the political situation. We will make a joint decision on the date to resume them again according to the circumstances in Peru.

[EL MERCURIO] Terrorists and drug traffickers are coming to Chile from Peru. Are you concerned about this?

[Aylwin] The government has reports that do not match this contention. Some charges are being investigated.

[EL MERCURIO] But some drug traffickers are being pardoned.

[Aylwin] Neither does this contention on pardons match reality. Conditional freedom is provided by a law when certain requirements are complied with. Drug trafficking and drug consumption, especially in popular sectors, have been detected in the northern part of the country. Some youths have been caught with one gram of cocaine and sentenced to 541 days or three years of imprisonment. It doesn't seem quite right to hold them in jail for an indefinite period of time if they appear to be rehabilitated.

[EL MERCURIO] Isn't it dangerous to free drug dealers?

[Aylwin] According to the reports, pardons have not been granted to drug dealers, but to poor drug addicts who need to be rehabilitated, and this will not be possible by holding them in jail for an indefinite time.

[EL MERCURIO] Mr. President, are we facing an arms race in the region?

[Aylwin] I do not know where such an arms race originated.

[EL MERCURIO] In the U.S. arms offer.

[Aylwin] The U.S. arms offer to Chile, Argentina, and many other countries is based on the fact that the United States wants to sell arms, and on studies conducted by our countries that reveal that all armed institutions should maintain an operational level with appropriate elements in keeping with their demands. Ships, planes, and tanks become obsolete and the Armed Forces must periodically implement programs to renew them.

[EL MERCURIO] Don't you think that, after the lifting of the Kennedy Amendment, the United States is trying to approach and influence the Chilean and Argentine Armed Forces?

[Aylwin] It is perfectly logical for the United States to seek a market for its products. Furthermore, I believe that we Chileans were the most affected by the Kennedy Amendment, because we bought secondhand things at a higher cost instead of purchasing them from the United States.

[EL MERCURIO] Aren't you grateful to Senator Kennedy?

[Aylwin] I am neither grateful nor angry. I think Sen. Kennedy had reason to propose this amendment, which helped restore democracy in Chile. [passage omitted]

[EL MERCURIO] With or without reelection?

[Aylwin] The two possibilities should be taken into consideration. Now, I clearly said that I am not favoring a reform in this field for my own benefit, or to allow me the possibility to aspire to reelection, because I will not run for reelection.

[EL MERCURIO] Do you agree with the proposal of remaining as a senator, as proposed by some deputies?

[Aylwin] I told those deputies who made this proposal what I thought. I do not favor the existence of more representatives than those elected by the people, that is, I do not favor the existence of appointed senators or deputies. But if they are going to exist, I think that it is discriminatory that some former presidents should become senators and others should not. If former presidents were to become members of the Senate, it would be logical for me to become a senator, too.

[EL MERCURIO] Will you replace Senate President Gabriel Valdes?

[Aylwin] No, I do not think that a former president should be Senate president. I think the Senate president should be a senator elected by the people. Beside, Gabriel Valdes is doing a good job.

[EL MERCURIO] Mr. President, why did you change your strategy, and send the constitutional amendment proposal to Congress now?

[Aylwin] I arrived in government with a platform the country knew well, including the amendments. In my first message I said that I would not propose them all together, but that I would do so gradually. We began with the municipal reform, which has already taken place; we continued with the judicial branch reform, which is at an advanced stage; and I thought it was time to initiate the others.

[EL MERCURIO] The UDI [Independent Democratic Union] said they were "unwise and untimely," and National Renewal said they will impose a political dictatorship.

[Aylwin] One of the advantages of democracy is that one can say what one thinks, including what one does not think, but rather thinks it is appropriate to say at a certain moment. I think that the two assertions are unjustified. If I sent the amendment proposals to Congress, it is because I think they are good for Chilean democracy, to consolidate it, and I will do everything possible to have them approved—so I will try to convince those who oppose them that they are wrong. Obviously, the amendments will not be made public before the municipal elections.

[EL MERCURIO] Why did you send them to Congress now, then?

[Aylwin] Because I had promised I would send them, and I thought that 21 May was a good date to announce them.

[EL MERCURIO] Considering that there may be many difficulties in approving them, couldn't it be that sending them to Congress is only "a gesture," as Senator Maximo Pacheco, your colleague, has said?

[Aylwin] Look, I do not agree with Maximo on this subject. I did not send them as a gesture, but because I think they are necessary.

[EL MERCURIO] Do you expect to reach agreements despite the opposition?

[Aylwin] I think that many of those who are currently saying no will end up by convincing themselves that they are good and suitable for the country. For example, regarding the subject of the appointed senators, those who oppose the amendments must think about whether it is good that the next government might have the authorityt to appoint them—something that would be inappropriate and would distort the democratic system.

[EL MERCURIO] What do you have to say to the criticism that the constitutional amendments will allow the political majorities to hold total power, thus representing a return to the same system of the 1925 Constitution?

[Aylwin] We are not returning to the 1925 Constitution. But let us understand this well: Giving power to the political majority, with the appropriate counterbalance, is a characteristic of democracy. Democracy is the government of the majority respecting the minority. To prevent the majority from governing through mechanisms that really give minorities faculties—or de facto powers—to hinder the government of the majority is antidemocratic.

[EL MERCURIO] Does this mean that in principle you oppose the current institutional system?

[Aylwin] I wrote the "Group of 24" document the day the 1980 Constitution came in force. I said then that the system established by that Constitution is a Caesarist presidential system, subject to military tutelage. I do not favor such a system, but I do favor a democratic one, as is known in all the countries of the world.

[EL MERCURIO] Don't you think that the changes you proposed—to return to the president the authority to decide upon the retirement of the Armed Forces commanders, and to determine military promotions and retirements—could be a risk for democracy, given that the Armed Forces oppose it?

[Aylwin] I do not think so. It is a matter that will be discussed through the constitutional mechanisms. I proposed it because I think the current system is bad. In no country of the world—democratic or not—is the chief of state deprived of the authority to appoint and remove the Armed Forces commanders. The moment a president is deprived of this authority, a de facto power is created, harming the institutional stability.

[EL MERCURIO] If the Coalition of Parties for Democracy won in the next municipal elections, would it mean support for these reforms?

[Aylwin] Look, I think that in the municipal elections the people mainly elect councilmen. Therefore what is under discussion is the administration of a municipality. But I think that in all general elections, as in this one, a political leaning is also expressed, and I think that the degree of satisfaction or dissatisfaction with my government policies will be expressed in it. I think it is an aspect that cannot be ignored in an election like this one.

[EL MERCURIO] Do you also attribute importance to the 1993 elections, and would you consider it a signal election?

[Aylwin] Not necessarily, but without doubt the result of these elections will reflect an index of how important each party is considered, and it will establish some precedents which the parties will have to consider in approving or not approving the election reforms, so as to reposition themselves for their political future.

[EL MERCURIO] Aside from the reforms you sent to congress, do you favor any others, such as reducing the presidential term?

[Aylwin] I have never concealed that I think the eight-year presidential term is too long. I think it is inappropriate, and I am open to consideration of any formula in this area.

[EL MERCURIO] How many years do you think are appropriate?

[Aylwin] I think that five, or four years should be considered.

Police Director on U.S. Supreme Court Ruling

PY2006022892 Santiago Television Nacional de Chile Imagen Internacional in Spanish 0000 GMT 20 Jun 92

[Excerpts] The debate continues over the U.S. Supreme Court ruling that virtually legitimizes international kidnapping. [passage omitted] The following are statements by Investigative Police Director Nelson Mery:

[Begin recording] I think it is impossible for such a case to happen in Chile since that would represent a crime of kidnapping or abduction, and faced with a flagrant crime, the police have the duty of immediately arresting those responsible for it. [end recording]

Ruling Coalition Shown With Majority Support

PY1906140692 Madrid EFE in Spanish 2214 GMT 17 Jun 92

[Text] Santiago, 17 Jun (EFE)—According to polls published today, 17 June, the political coalition that supports the government of Chilean President Patricio Aylwin still has the support of most voters for the forthcoming municipal elections scheduled for 28 June.

According to the polls carried out by the private company "Geminis," the government is preferred by 49 percent, as opposed to 15.3 percent for the rightist opposition.

Regarding possible candidates for the 1993 presidential elections, Christian Democratic Party (PDC) President Senator Eduardo Frei is at the top of the list, preferred by 43.7 percent of those polled, while socialist Ricardo Lagos is second with 22.5 percent.

The PDC also obtained first place for the 28 June municipal elections, with 34.8 percent, followed by the rightist opposition National Renewal Party with 9.5 percent.

The Party for Democracy, which is part of the government coalition, was third with 9 percent; the ultrarightist Independent Democratic Union (UDI) with 5.8 percent, and finally the moderate populist Center-Center Union received 5 percent.

The polls were held between 30 May and 7 June in greater Santiago, surveying 631 homes, with an approximate margin of error of four percent.

Concepcion Bank Advises CIS Financial Entities

PY2206180192 Santiago EL MERCURIO in Spanish 8 Jun 92 p B12

[Text] The Concepcion Bank is advising two banks of the Commonwealth of Independent States [CIS], seeking to modernize their financial structure to western banking standards. This was reported by Mauricio Ramos, the Concepcion Bank planning and development manager.

Ramos said that in 1990 the bank contacted Russian economists who expressed interest in the Chilean economic experience. This created the opportunity to provide advisory services to the Republic of Kazakhstan's main financial enterprise, which is now in an advanced stage of preparation.

The advisory services involve technology, organization, creation of new lines and services for clients, and personnel training.

Ramos said the Russian [as published] financial institutions only offered two lines: loans and checking accounts that used a system of invoices not checks. These lines were only available to enterprises.

Moreno noted: "Now we are working on the production of new methods; specifically checks and credit cards."

Moreno added that the goal is to transform the bank into an agile and flexible organizations to confront the changes that could take place in Russian [as published] economic policy.

The Concepcion Bank is also providing advisory services to the Central Bank of the Republic of Bashkir, a member of the Russian Federation, similar to the program implemented in Kazakhstan.

The Concepcion Bank hopes to implement similar programs in other CIS financial institutions.

A seminar on banking administration and Chilean banking experience was held in Moscow last week. Top Russian banking executives participated in the seminar which was sponsored by the Chilean Embassy in Moscow.

Mauricio Ramos reported that the Concepcion Bank is also working on financial advisory service programs in Poland, specifically with an entrepreneurial group that owns four banks.

Ramos said that all this activity has prompted the bank's board of directors to consider the possibility of creating a department to handle the advisory services which will become a new Concepcion Bank service.

Colombia

Guerrillas Blow Up Oil Pipeline, Attack Towns

PA2306010092 Madrid EFE in Spanish 1733 GMT 22 Jun 92

[Text] Santa Fe de Bogota, 22 Jun (EFE)—The Simon Bolivar National Guerrilla Coordinating Board (CNGSB) on 22 June dynamited the Cano Limon-Covenas oil pipeline and attacked several towns and groups of workers in various parts of the country, Defense Ministry sources have reported.

The Cano Limon-Covenas oil pipeline, the most important pipeline in the country, was blown up near the 55-km post, near Esmeralda, in Arauca Department.

According to officials from the Colombian Petroleum Enterprise (Ecopetrol), the explosion caused a huge fire and 6,000 barrels of crude oil to spill. It is believed that the action was carried out by a commando group from the Army of National Liberation (ELN), which in recent weeks has attacked the oil pipeline 20 times. The ELN, the Revolutionary Armed Forces of Colombian (FARC), and a small splinter from the Popular Liberation Army form the CNGSB.

Meanwhile, on 21 June, guerrillas—presumably members of the FARC—occupied El Castillo Municipality in El Meta Department, where they opened fire on a crowd that was celebrating some municipal festivities. Three persons were killed and six wounded, local authorities reported.

In that same region, another FARC column attacked the town of Mesa de Fernandez, where they destroyed the school, the local administration's offices, and robbed banks.

Furthermore, in the last few days the CNGSB rebels attacked workers and set up barricades to harangue the farmers and miners who work in northern Antioquia Department, the Defense Ministry reported.

Foreign Minister Favors Cuban Reintegration

FL2306013492 Havana Radio Rebelde Network in Spanish 2300 GMT 22 Jun 92

[Text] Colombian Foreign Minister Nohemi Sanin said that she favors the reintegration of Cuba into the inter-American community. Sanin said that she opposes any manifestation of meddling or imposition with the objective of modifying the political and social system of our country. In an interview with VISION magazine on the nature of ties between Colombia and Cuba, Sanin pointed out that her country has consular and trade relations with the island.

Former Peruvian President Garcia Interviewed

PA2006033992 Santa Fe de Bogota Emisoras Caracol Network Spanish 1200 GMT 19 Jun 92

[Telephone interview with former Peruvian President Alan Garcia by an unidentified reporter in Lima; date not given—recorded]

[Text] [Reporter] Good morning. We are not sure how to greet ex-president Alan Garcia. Shall we call you colleague or ex-president?

[Garcia] Good morning. I greet you with the trust and affection with which Caracol has always treated me. Caracol has been a good communications link for the Colombian people.

[Reporter] Thank you, Mr. Ex-President. Tell us about the story saying that you would work as a commentator for the RCN Radio Network, our dear sister network.

[Garcia] The word dear would have to be put between quotation marks. [reporter laughs] The story is true; it is not just a story. RCN made me a generous offer to work for them as the international commentator. But, as I told our friend, Juan Gozain, speaking for four minutes every day would somehow involve me, directly or indirectly, in Colombia's internal affairs. This could become controversial, and it is certainly something I am not interested in doing. Of course, I must express appreciation for this generous offer, which was the first one I received in Colombia.

[Reporter] Mr. Ex-President, we understand you addressed a handwritten letter to our friend Gozain thanking him for the offer and telling him you could not accept his proposal.

[Garcia] I did so for the reason I mentioned earlier. To do that everyday would have led me inevitably to link international affairs to Colombia's internal affairs. This is why I declined the offer. Naturally, I am still willing to listen to radio stations and other media to participate in an interview whenever advisable.

[Reporter] Since you arrived in Colombia, we refrained from calling on you, Mr. Ex-President, precisely because of the RCN network's announcement. Now that you are free to express an opinion on things divine and human and on what goes on in international circles, particularly in Peru, how is everything and how has Colombia treated you?

[Garcia] Colombia has been generous, humane, and warm towards me. I feel perhaps better than I felt in my homeland before I left.

[Reporter] What role will you play for democracy in your country?

[Garcia] I am convinced that despite the world's situation of economic globalization, which is more and more a globalization of politics, there is no national policy in what we know as homelands or countries. Democracy

can only be established and reinforced to the extent that Latin America as a whole can be a fertile ground for it. In other words, struggling for democracy in Peru entails struggling for democracy in Latin America. Now that a political model is being propagated that assails the democratic models and institutions, as well as political parties without exception throughout the continent, I think we who call ourselves democrats must struggle, wherever we are, for democracy, representation, freedom, and reason. In this way, we will contribute to democracy in our birthplaces. I think I will work for democracy in Latin America wherever I am. So I will work for Peru while I am here.

[Reporter] With due respect, Mr. Garcia, the fact that you sought political asylum in Colombia has enabled us to see you in a more human dimension. You arrived first, and then your family arrived. All this makes us wonder. What is Garcia doing in Colombia? How is the family organized, and what are the children doing?

[Garcia] We have found two schools which the children can attend. As a father, it would be very painful for me to see my political activities result in my children wasting months or years without going to school. I do not want my children's lives at school to be affected. Family life suffers because of political disruptions in any country. We have found two schools and we are now deciding which of the two to select. I am getting in touch with some international organizations to work for them. I have talked with a Colombian editor about publishing a book called "The New Totalitarianism," which describes how neoliberal economics pushes away and exterminates democracy in our countries. I will continue to write material that I would like to publish in Colombia.

[Reporter] What mistakes would you avoid if you had a second presidential mandate?

[Garcia] We would have to put the word mandate between quotation marks, as we did previously with the word dear when referring to your sister network. In case of an eventual second mandate... [pauses] which I am not seeking, but speaking hypothetically and fictitiously...

[Reporter, interrupting] Should we also put the phrase which I am not seeking between quotation marks?

[Garcia] Yes, I believe so, because we politicians act according to situations, and we are molded by circumstances more than by ourselves.

[Reporter] However, some politicians go against the current and still reach their goal.

[Garcia] I beg your pardon?

[Reporter] Sometimes it is possible to obtain a position by moving against the current.

[Garcia] I doubt it. I would say one must always move forward, rectifying past mistakes.

[Reporter] What things would you rectify?

[Garcia] First of all, not being so young. That may sound absurd at this time, but I believe youth is accompanied by vehemency, by a desire to do many things at once, and by an impatience to fulfill too many goals at once. In a poor country, which has few possibilities and is limited by its history, one must painfully accept the reality in the long run.

[Reporter] Would you nationalize banks again?

[Garcia] That is another subject. The second topic I would mention is the need to dignify and improve the country's economy. Perhaps that was one of our shortcomings. As for basic points, some are substantial and require no rectification, only adjustments and improvements. I believe no one can question limiting foreign debt payments when a country is facing a serious internal situation, in which case it is necessary and inevitable.

You asked me about the nationalization of banks. I must clarify that for two years, through government efforts—which included raising salaries and public expenses—we managed to reactivate and increase production. We protected national industries so they could sell more products, and we raised salaries to improve the people's purchasing power. In that manner, the economy was reactivated, and the country experienced an economic growth it had never known before. However, the income obtained through that growth, which should have been reinvested in new enterprises to create new jobs, was not used that way. Instead it was transferred abroad. So we decided to control the circulation of money and credit to maintain the process of growth, which was so important.

People who initially supported the measure later did not like the concept of nationalization or statism. I believe they would have preferred the concept of democratizing banks. In other words, the idea was not to leave the most powerful bank in the hands of one family, which could also acquire 150 of the largest companies in Peru through that bank. Maybe that concept could have been improved by proposing democratization; in other words, a better or wider distribution... [Reporter, interrupting] What about the participation of foreign capital?

[Garcia] I beg your pardon?

[Reporter] Would you agree with a new formula, by which foreign capital could enter Peruvian banks as in other countries, such as Colombia?

[Garcia] I believe the participation of foreign capital and world technology are inevitable, necessary, and welcome, especially under the current circumstances. I have never been an enemy of foreign capital because it is linked to technology. I do not want people in Latin America, or in my country, Peru, to end up counting with their fingers, while advanced countries have computers. However, foreign investors should not try to outsmart us. In other words, we must associate with them not just to make a profit, but also to develop Peru. Salaries should not be excessively low. Some investors demand tax exemptions, low salaries, and enormous

profits in order to come to our countries, when those conditions do not exist in the United States, Europe, or Japan.

[Reporter] Mr. Garcia, as you said, age tempers a person and makes him less emotional. Seen from this perspective, would you say your mistakes and the ones made by other former Peruvian presidents led your country to the situation it is in today?

[Garcia] I believe we are always late in solving our problems. Peru is a country with very serious problems that originated many years ago, perhaps hundreds of years ago. Among these problems are economic dependency and industrial and economic centralism in Lima, which are far more serious in Peru than in Colombia. I believe our countries are faced with the harsh reality that we cannot solve our problems alone. The lesson to be learned from our democracies' difficult experiences during this period is that none of our countries can solve problems on their own. We cannot solve the problems of industry, of getting more markets for our production, of defending our prices, and of confronting our international debts alone. We can only do so as an integrated Latin America. Only the big economic blocs have a place in the modern economy. Any effort taken by a democratic country alone will be brief and temporary. Our countries' problems will only be solved with the establishment of a large Latin American market; a large coordinated Latin American industry; and a united position on foreign debt, marketing, and international trade. It is absolutely [word indistinct] to believe that any government, in any one of our countries, can dramatically turn the situation into a paradise.

[Reporter] Right. However, Mr. President, we respectfully highlight that former Latin American presidents—specifically in Colombia, Ecuador, and Peru—were always making excuses for what they were unable to do. It would seem they had to go through the presidency to become aware of what had to be done and then [words indistinct] what they could not do.

[Garcia] That is reality. You are only able to understand something after you have experienced it. Have you ever known something about a passage in your life that you are going to experience in the future? [Words indistinct] can you anticipate the future?

[Reporter interrupting] Yes, it is complex.

[Garcia] I believe you cannot and this is exactly what we must accept. The experience gained by a country through a party, an ideology, or a man cannot be rejected; it is not a matter of discarding the experience entirely. I believe, for example, that Latin Americans can benefit from Colombia's experience regarding the existing relations among its political sectors. The example of the National Front [Frente Nacional] and how it heightened the awareness of Colombian politicians is, I believe, very important. Politicians from other countries should study this experience, which cannot be thrown overboard or into the wastebasket. To say that a government is totally negative is false. Everything has a positive and a negative aspect.

[Reporter] Yes. Mr. Former President, President Fujimori's institutional coup has prompted a growing militarization in Peru. We are also concerned about Venezuela as two military officers have been appointed to the cabinet and another officer has been selected to head the Ministry of Interior.

[Garcia] I do not see a similarity between the Peruvian and the Venezuelan situations. For the Venezuelan president to include one or two officers—one of them is a retired officer—in his cabinet is totally unrelated to the Peruvian situation. In Peru, it was actually a military coup—not an institutional coup—that closed the parliament, which represented the political parties and the people, and liquidated the entire judicial branch to subject it to the executive branch's dictatorship. I do not see any similarities in these two countries. I believe President Carlos Andres Perez is using a person, Minister Ochoa Antich, who has been somewhat favored by public opinion. This is not at all equal to the collapse of democracy and the interruption of the basic principle of liberty that occurred in my country.

[Reporter] Finally, can you, from Colombia, communicate normally with your party's political leaders to try to reinstate democracy in your country ?

[Garcia] Yes. Evidently, technology—the telephone and the radio—allow me to do so. I can communicate with my companions directly or by giving opinions to the media. I am convinced that the 5 April coup in Peru will be short-lived because the deep economic crisis — brought about, not only by past government, but by the brutal neoliberal economic policy implemented in Peru during the past two years—will make the coupists leave soon.

[Reporter] We all hope so. Thank you so much for your statements to Caracol. We will call you frequently now that you have total freedom.

[Garcia] I have always been a free man and came to Colombia to continue to be one.

[Reporter] Before saying goodbye to Dr. Alan Garcia, we want to report that his book entitled, "The New Totalitarianism,' will appear on the book stands very soon. Garcia has said his editors are working on this. It is a book about the effects neoliberal ideology will have on the world and on Latin America.

* Government Addresses Tensions in Cusiana Region

92SM0430A Santa Fe de Bogota EL TIEMPO in Spanish 21 May 92 p 3A

[Article: "Guerrilla Units and 'Paramilitary Forces' Have Drawn Line Between Them; Cusiana, a Social Powder Keg"]

[Text] In the broad plains area of the Intendancy of Casanare, symptoms are beginning to appear of a situation that could explode at any time. The government is aware of this and, therefore, is planning to implement a social program.

It was said recently that in the Casanare plains area there are 3 billion barrels of petroleum.

This announcement, which then had to be clarified, was the source of the difficulties that now confront the towns surrounding the enormous Cusiana complex.

The fever for black gold attracted thousands of the unemployed and adventurers from throughout the country. They concentrated in the towns of Yopal, Tauramena, Monterrey, Sabanalarga, Recetor, Mani, and Aguazul. Without any effort on their part, they hope that some oil well will "be a gusher."

Prostitution is not only alarming, but is now well established in Tauramena. What residents of the area call the "Zona Rosa" has been set up in an outlying district. Brothels and houses for call girls are beginning to invade not only this town, but neighboring municipalities as well.

To this is added the increase in the cost of living and the unexpected appearance of contagious diseases, such as AIDS.

However, the list of problems does not stop there. Cusiana is on the verge of being marked with a red spot on the map of violence.

Executives and personnel associated with the multinational companies have told EL TIEMPO that the area is already split in two.

They said: "The area north of the Caja River is the territory of the 'paramilitary forces.' Toward the south is the territory of the guerrillas. No clashes have taken place so far, but along the country lanes the people are afraid. The paramilitary forces move through the country, telling people that they are going to protect them from attack by the guerrillas, while the rebels do their own thing and promise the people that they will protect their interests."

According to information we have collected, the people in charge of establishing self-defense groups come from Puerto Boyaca (Department of Boyaca) and Meta.

This critical scene, in addition to a rejection of the proposed National Royalty Fund, which was about to cause a civil strike in the area, and the peremptory demands of the region, forced the central government to make its presence felt in Tauramena, one of the centers of the conflict.

On 16 May the following senior officials arrived in Tauramena: Cesar Garcia Nino, director of the National Rehabilitation Plan [PNR]; Gilberto Echeverri, presidential counselor for social policy; Antonio Jose Lizarazo, chief of the Social Emergency Fund in the Office of the Presidency; Oscar Wilches, governor of the Intendancy of Casanare; a delegate of the Ministry of Defense; officials of the Colombian Petroleum Enterprise [Ecopetrol]; and mayors of the towns in the Intendancy of Casanare that will be affected the most.

However, not everything was a matter of public order. The local community made its presence felt. Voices of protest were raised against the National Royalties Fund. People demanded greater participation in the explotation of crude oil, improved living conditions, a revision of Ecopetrol's social programs, and the construction of public works by the multinational companies.

Opposition to the Fund

Gilberto Alfonso, mayor-elect of Monterrey, said flatly: "We have no interest in the exploitation of petroleum. However, we urgently need to have our people receive job training. And furthermore, I say that I am against the National Royalties Fund."

Jose Antonio Varela, mayor of Mani, followed him. In addition to expressing his opposition to the fund, he said that if a program of specific action did not come out of the meeting, "then we will not continue with these conversations."

And Ligia de Diaz, mayor of Sabanalarga, went further: "What is agreed to here should be implemented."

Hugo Puentes, president of the Assembly of the Intendency of Casanare, said that "the government can set up the National Royalties Fund, but it cannot manage our royalties."

After listening patiently to each of the various speeches and standing in the bright sunlight, with the temperature at 35 degrees Celsius, Fernando Delgado, the vice president for operations of Ecopetrol, had his turn to speak. In a speech loaded with technical language, he explained the situation in the following way.

"It will not be clear whether the Cusiana area is favorable for petroleum production until the first half of 1994," he said. "Until then, it is not clear whether we will begin commercial production of petroleum. Up to the present three wells have been drilled, with some indications of petroleum. However, we do not know the size of the field. During 1992 and 1993 we will continue the exploration phase."

Regarding complaints made about the serious ecological damage that the exploitation of crude oil in this region would cause, Delgado stated that the British Petroleum Company [BP] is associated with Ecopetrol in the exploration activity. BP has the majority interest in the field and is a world leader in ecological control. "Ecopetrol does not even meet the minimum requirements of British Petroleum Company," he said.

After Delegado came Manuel Santiago, chief of community relations of Ecopetrol. "Since 1991 we have participated in a coordination unit with the community," he said. "We have not turned our backs on what is needed."

However, he warned that Ecopetrol cannot be responsible for everything, although it certainly can commit itself to advance payments of royalties and tax transfers. This was one of the specific objectives of the government presence in Tauramena. Santiago said that Ecopetrol is not distributing royalties, but is paying them and will continue to work with Corpes [expansion not given], the offices of the various counselors at the Presidency, and the National Planning Bureau.

[Box, p 3A]

Official Action

The government considers that democratic forums should be set up to act as channels for citizen protests. Everything should be discussed in those forums, including the exploitation of petroleum and the needs of the region. Everyone should take part in the discussions.

Presidential Counselor Gilberto Echeverri announced that he will soon appoint a delegate of the Office of the Counselor for Social Policy, who will be his representative in the area. He said: "We are going to work for an early payment of royalties. We did not come here looking for applause, but to work."

Oscar Leonidas Wilches, delegate for Magdalena Medio, said that a committee is going to be set up with the participation of all of the municipalities, including those that do not produce petroleum. The committee will determine investment priorities. The PNR is committed to enter into a contract for the design of an aqueduct and sewage system for Tauramena. Ecopetrol will prepare a similar design for Aguazul, and the departmental government will do the same for Yopal. The health program will begin in less than 30 days. About 20 roads in the production area will be provided with electric lights, at a cost of 1.2 billion Colombian pesos.

[Box, p 3A]

Arauca Defends Royalties

Luis Alfredo Colmenares, the governor of the Intendancy of Arauca, presented the position of his department to Juan Camilo Restrepo, the minister of mines and energy, regarding the draft law providing for the establishment of the National Royalties Fund and its national commission.

Colmenares stated that the rights of each producing department are "inalienable." Therefore, any initiative by the government should be undertaken in cooperation with local authorities.

At the same time, he said that, through the National Royalties Fund, planning instruments and eligibility for investment programs should be strengthened, mechanisms should be established to provide technical advice in the use of resources, and the inspection of invested capital should be carried out.

The governor emphasized that provisions that reduce the royalties that the departments and municipalities now receive should not be included in the draft law. It may be remembered that this has been such a subject of controversy that the governors of petroleum-producing departments in eastern Colombia agreed to establish a political bloc to oppose any such reduction in Congress. If such a proposal were to be enacted into law, the Intendency of Arauca would be one of the departments most seriously damaged.

The national government estimates that the royalties coming from the exploitation of crude oil will exceed 100 billion Colombian pesos annually. At present these royalties are distributed among the municipalities and departments involved and the nation as a whole. Under the draft law being considered by the government, the portion pertaining to the nation as a whole would be turned over to the National Royalties Fund, which would supervise mining activity, the conservation of the environment, and the implementation of specific infrastructure projects.

* Acceleration of Trade Talks With Mexico Viewed

92SM0427A Santa Fe de Bogota EL ESPECTADOR in Spanish 24 May 92 p 10-A

[Article by Henry A. Rodriguez B.: "Integration with Mexico: Are You Ready?"]

[Text] Despite criticism from some trade associations, the government has made the decision to speed up trade negotiations with Mexico. President Gaviria approved the discussions. The agreement will be signed in the framework of Aladi [Latin American Integration Association]. Trade associations, make your contacts! Mexico is strong in the automotive, steel, petrochemical, and metallurgical sectors.

On 20 May President Gaviria met with Juan Manuel Santos, his minister of foreign trade, and a small group of advisers. The subject was what to do with Mexico. A conclusion was reached at the end of the meeting: trade negotiations with that country will be speeded up.

On 21 May Marta Lucia Ramirez, deputy minister of trade, and Luis Jorge Garay, an economist, traveled to Mexico to carry out the mission assigned to them.

Industrialists had already anticipated this action. For that reason Fedemetal [Colombian Federation of Metal Industries] had wasted no time and sent a letter to the president the Monday before.

In the letter Luis Gustavo Florez, president of the association, set out its position: "We consider it essential

to postpone the negotiations for the establishment of a free trade zone with Mexico...."

Fedemetal said the government should instead devote itself to resolving the electricity crisis and to regaining the credibility, clarity, and confidence that it had lost in the eyes of businessmen.

However, the association's recommendation was not accepted. The president and his foreign trade minister continue to hold firmly to the decision to draw closer to the Mexicans. They think that it is necessary to move ahead with the negotiations before it is too late.

What are the associations worried about? Why is it necessary to move quickly in making contacts? What should businessmen do in view of this situation?

The most recently published study on the expansion of negotiations with Mexico is the "Foreign Trade Program, 1992-1994" [Programa de Comercio Exterior 1992-1994], which was approved on 9 April by the Higher Council on Foreign Trade.

The document declares: "The renewal of negotiations in the Group of Three [G-3] will be based on the goal already agreed upon in the Act of Guadalajara of July 1991, in the sense of setting up a free trade zone toward the middle of the present decade. A start will be made on freeing trade with Mexico in 1992, and the principles agreed upon in terms of stages of tariff reductions will be respected, providing for a longer period of time and special conditions for a number of products that require a period of adjustment to deal with Mexican competition."

The document further states that "in view of the very large deficit in trade between Mexico and Colombia, we will seek to adopt a more rapid program of tariff liberalization in the first phases of the process."

(In 1991, exports from Colombia to Mexico amounted to $49,379,000, while imports from that country into Colombia reached $229,018,000. For each dollar's worth of goods that we sell to the Mexicans, we buy $4.63 worth of goods from them.)

Principal Colombian Exports to Mexico, 1991 (thousands of dollars)

Products	Value
Coal	3,532
Gelatin	1,568
Fungicides	1,837
Fungicide Compounds and Related Products	1,463
Carboxymethyl Cellulose	1,345
Periodicals	2,293
Books, Printed Matter	1,605
Dictionaries and Encyclopedias	4,009
Other Books	1,439
Other Newspapers and Publications	4,925
Iron Bars	3,670
Dolls	1,224
Other Products	20,460
Total	49,379

Principal Colombian Imports From Mexico, 1991 (thousands of dollars)

Products	Value
Terephthalic Acid	11,100
Ethylene Glycol	2,533
Dimethyl Terephthalate	61,061
Tovendi Isocyanate	2,836
Other Chemical Compounds	3,212
Urea	2,184
Styrene Butadiene Rubber SBR	7,420
Acrylic Fibers	2,768
Data Processing Units	2,187
Computer Tapes	3,109
Furnace Electrodes	6,433
Vehicles: Cylinder Capacity 1500-3000 cc	6,882
Vehicles: Cylinder Capacity Under 3000 cc	26,290
Vehicles With Load Capacity Less Than Five Tons	2,872
Other Products	88,131
Total	229,018

Why Speed Things Up?

One of the reasons is that the government must find markets for Colombian products to provide justification for "opening to the world market."

Furthermore, Mexico is a link for shipping merchandise "made in Colombia" to the United States, a country with which the Mexicans are negotiating a free trade zone.

For these reasons, it is also in the interest of this country to sign a trade agreement with the United States. (A trade agreement will first be signed with Mexico, Chile, and Argentina.) By negotiating with our "brother Latin American countries," we will obtain the experience necessary for dealing with the North Americans.

In the Ministry of Foreign Trade, they think that "the deepening of commitments to integration with countries of Latin America and the Caribbean is a priority matter in foreign trade policy."

They add: "By doing so, we are trying to make room for free trade to provide an incentive for the expansion of exports, to undertake community commitments that provide stability for the policy of openness, to seek more efficient areas of specialization for our companies in various countries, and to broaden Colombian alternatives for negotiating with third countries."

This matter involves belonging to a strong trading bloc that will give us the capability for negotiations, in this case being associated with the G-3. Furthermore, we need to speed things up, because the future of the Andean Pact is uncertain. It is better to take out a kind of insurance policy on the future rather than to remain outside of a trading community.

Colombian businessmen are worried about Mexico because that country has very competitive business sectors (petrochemicals, the metallurgical industry, and the automotive industry).

In the automobile industry, for example, the difference between Mexico and Colombia is substantial. In Mexico they produce 1.0 million vehicles per year, whereas we produce 55,000 vehicles here. Due to the economies of scale, Mexican vehicles are cheaper, to such an extent that even if they are imported after paying a duty of 20 percent ad valorem, they will be able to ruin the vehicle assembly plants now established in Colombia.

Certainly, Colombia would have some advantages in terms of certain products. For example, in textiles, clothing manufacturing, and agriculture (sugar, flowers, and coffee).

Therefore, exceptions will be made for products that would not benefit from free trade.

What is clear is the well-known asymmetry of the two economies. The Mexican economy is much larger than ours is. Colombia is in an inferior position and will ask for treatment as such.

To Be Negotiated in the Aladi Framework

What Colombia will sign with Mexico is an agreement on economic complementariness. For that purpose the agreement will be reached in the framework of Aladi.

The first thing to be done is to outline a juridical structure. Work will be done on subjects such as standards of origin, safeguard clauses, governmental purchases, investment, unfair trading practices, export incentives, and tariff reductions.

Then negotiations will begin to determine which products will have no tariff duties after the agreement enters into effect, which ones will be reduced to the zero-tariff level over a period of five years, which ones over a period of seven years, and which ones will remain as exceptions.

In this last phase, trade associations and businessmen should use the technique of having "a room on the side," that is, helping the government in the negotiations.

What is certain is that Colombian trade associations and businessmen should begin to study the Mexican economy and establish contacts with their opposite numbers in that country if they do not wish to be overtaken by events.

*** Effect of Economic Opening on Employment Noted**

92SM0433A Santa Fe de Bogota EL ESPECTADOR in Spanish 21 May 92 p 13-A

[Unattributed article: "Opening of the Economy Devastates Job Market"]

[Text] There is alarm in Congress over the unemployment figures. The labor minister has objected to Congress's Labor Statute, which reduces the work week and creates a subsidy.

The opening of the economy has begun to devastate the job market, affecting sectors such as industry and export trade that are crucial for the creation of jobs.

A warning bell was sounded yesterday in Congress that challenged the official statistics—statistics that not only gave rise to the current electric power emergency, but are also not convincing in their evaluation of the impact of the internationalization of the economy on the labor market.

In the Seventh Committee of the Senate, Senator Carlos Corsi stated that "when the GDP goes down, employment must necessarily also go down, but here that does not happen—perhaps because of the way the surveys are conducted."

Corsi added that whereas policies had previously originated in the cabinet ministries, decisions are now coming from the National Planning Department through Conpes [National Council for Economic and Social Policy], which has forced programs such as "The Peaceful Revolution" to tread statistically shaky ground.

The Senate asked Labor Minister Francisco Posada for "the most objective information possible" on the effects that the opening of the economy has had on employment and on the options for countering those effects.

Senator Alvaro Uribe Velez stated that the economic opening is already generating unemployment in certain industries such as toy manufacturing, plastics, and exports. He added that the challenge posed by the opening is unmistakable in the leading sector of the job market—the export sector—which has been seriously impacted by measures such as the revaluation of the peso.

"Although the danger of runaway inflation does exist," Uribe Velez said, "it is more advantageous to apply suitable controls to the underground economy than to resort to measures that impact the export sector. Corrective steps must be taken as soon as possible to prevent these measures from continuing to adversely affect Colombian products in the international market."

The senator declared that the standard of living of the working class can be improved only through an increase in productivity in the export sector, as has been demonstrated by the seven countries of the "Asian miracle" and their presence in the international market.

Another disturbing matter to be considered is labor reform's impact on employment and the development of the informal economy, given the fact that the latter currently accounts for 54 percent of the nation's economic activity.

Alarming Figures

Senator Hernan Motta pointed out that the gradual impoverishment caused by the policy of opening the economy is intensified by the consequences of the tax reform, which will cause a rise in the cost of living by virtue of the increase in the tax base.

Motta disclosed statistical reports that state that these policies are destroying small and midsize industry.

According to a Chamber of Commerce report, 362 companies have failed during the past 180 days in the Valle del Cauca.

He also declared that labor reform has proved to be a source of instability because it made the fixed-term labor contracts more flexible to allow for periods of less than one year, which in practice have become a form of normal employment.

A report commissioned by the Ministry of Labor through the UN Development Program and titled "Policies of Employment and Economic Modernization" [Politicas de empleo y modernizacion economica] disclosed that approximately 450,000 persons became unemployed in 1989 as a result of the opening of the economy.

The loss of formal employment is concentrated in the secondary sector of the economy, particularly in manufacturing, which, according to the Bank of the Republic, produces 24.6 percent of the GDP.

The figure that has been called truly terrifying, however, is the figure for industry, where, according to the report, approximately 233,000 persons lost their jobs during 1989 in the regions of the heaviest concentration of industrial capital and manpower.

'No' to the Counterreform Proposal

Minister of Labor Francisco Posada de la Pena stated that the decline of labor unionism and the drop in unemployment are not attributable to the labor reform.

Posada de la Pena—who will respond today to Congress's concerns about the economic opening and unemployment—yesterday opposed the bill that provides for labor counterreform and is now making its way through Congress.

He cited "inappropriate" provisions of the bill, such as the reduction of the work week to 40 hours from 48, explaining that this measure might perhaps be appropriate for countries such as Germany and Japan, where productivity is above the world average.

The labor minister also criticized some proposed measures, such as the proposals to increase vacation time by five working days and to create an unemployment subsidy that would cover even convicts, who would merely have to prove that they are engaged in some economic or cultural activity.

* Petroleum Representative Views Sector Problems

92SM0435A Santa Fe de Bogota EL TIEMPO in Spanish 23 May 92 p 5B

[Text] Industrialists in the petroleum sector have no clear vision of the future of their economic activity: there is less exploration; crude oil reserves have diminished, and the proposal to create new taxes could restrain foreign investment in Colombia.

That is the opinion of Simon Martinez Emiliani, executive director of the Information Center of the Petroleum Industry, an organization that represents 95 percent of the foreign companies associated with Ecopetrol [Colombian Petroleum Enterprise] in hydrocarbons exploration and production.

According to Martinez, the petroleum industry is experiencing a difficult situation with respect to security, inasmuch as its operations are conducted in remote and inhospitable areas. The protection of personnel and equipment is very difficult and costly.

For this reason, there has been an appreciable reduction in activity in the petroleum industry. Last year only 51 exploratory wells were drilled, compared with an average of 73 wells in previous years.

A similar situation exists with respect to seismic exploration. Last year, analyses of this type were carried out over 7,715 km, compared with an average of 10,276 km for the preceding years.

Martinez says this situation has caused a substantial decrease in Colombia's proven oil reserves, which currently total 1.8 billion barrels—a figure that allows the nation to be self-sufficient in petroleum only until 1996.

Although the new discoveries of oil in Cusiana could enable Colombia to maintain its current crude oil export levels beyond the year 2000, the existing conditions for investment and security do not provide guarantees for the future of the petroleum industry.

In Martinez's view, Colombia must offer greater incentives for foreign investment in the petroleum sector in order to stimulate exploration.

He believes that in the midst of the coffee crisis, petroleum has become the main pillar of the Colombian economy and contributes 30 percent of the nation's

revenues. Moreover, the hydrocarbons industry accounts for 54 percent of the sector's GDP [as published].

For this reason, the sector's industrialists believe the tax reform now being debated in Congress is inappropriate for the development of their industry. In Martinez's view, the special tax called the "War Tax" is clearly discriminatory and antitechnological in character.

This tax does not take into account individual profitability, which depends on the cost of exploitation, the quality of the crude that is extracted, and the type of contract involved. Martinez insists, moreover, that the tax "runs counter to the basic principles of taxation established in the new Constitution."

As a result of this tax, Colombia is one of those countries that share to the greatest extent in profits earned under the terms of all contracts for petroleum operations.

* Poll Shows Drop in Industrial Production

92SM0435B Santa Fe de Bogota EL ESPECTADOR in Spanish 25 May 92 p 10-A

[Text] A Fedemetal [Colombian Federation of Metal Industries] survey disclosed that the electricity rationing is seriously impacting the metal and steel industries. Sales are also declining.

Production in Colombia's metal-processing and steel industries has decreased by at least 10.7 percent as a consequence of the rationing of electric power.

That was the conclusion reached by Fedemetal on the basis of a survey of 143 of its member companies.

The survey indicated that sales in this sector have declined by 6.92 percent.

The estimated value of this drop in sales for the period 16 March-30 April of this year is 7.022 billion pesos.

All of this has had an impact on job creation in this production category, which sustained a drop of 1.14 percent in employment because of the blackout.

Moreover, the costs of manufacturing the products of the metal-processing and steel industries also shot up, increasing by 10.03 percent because of the shutoffs of electricity.

To avoid penalties, however, the business community is pushing programs of voluntary rationing and conservation of energy, with the result that consumption is down an average of 16.5 percent.

To be sure, 43.4 percent of those surveyed reported that they had bought power generation plants. This demonstrates their effort to become self-sufficient in electric power and thereby lessen the impact on their economic performance.

Of all those surveyed, 42.7 percent did not answer the question, "Have your exports decreased as a result of the rationing of energy?"

However, 28.9 percent responded that their shipments to foreign countries have remained the same, and only 10.5 percent said their sales abroad are increasing.

The survey covered 143 firms affiliated with Fedemetal, distributed by sections as follows:

Antioquia, 25 companies (17.4 percent); Atlantico, 11 (7.7 percent); Caldas, 11 (7.7 percent); center of the country, 48 (33.6 percent); Santander, 8 (5.6 percent); and Valle del Cauca, 40 (28 percent).

The period covered by the analysis was the 45 days between 16 March and 30 April 1992.

The Problem Must Be Solved

In a letter sent to President Gaviria, Fedemetal President Luis Gustavo Florez Enciso expressed the view that the crisis in the supply of electricity to Colombian industry is the factor that is definitively nullifying the already meager possibilities of increasing the nation's competitiveness.

"It means," the Fedemetal president wrote, "that this factor has rendered unrealistic the objective of achieving the anticipated benefits from the opening of the economy, or at least of achieving them in accordance with the established schedules. On the contrary, one can envision a negative social impact."

Florez Enciso declares that the industrialists of the metal and steel sector have made a noteworthy effort to reduce their consumption of energy and, in fact, have reduced it by an average of more than 21 percent of normal consumption.

He adds, however, that rationing has required the sector to reduce its production by 20 percent ever since the beginning of the crisis and that this has resulted in a 12.3 percent decrease in employment, lowered productivity, and, consequently, increased manufacturing costs.

Peru

Armed Forces Reaffirm Support for Government

PA2306042092 Lima Global de Television Network in Spanish 0100 GMT 23 Jun 92

[Text] The joint command of the Armed Forces has issued an official communique, reaffirming its total support for the elections summoned for the Democratic Constituent Congress because they fall within the commitment made by the government to achieve a new democratic institutional regime. The Armed Forces also reaffirmed their support for the process of national reconstruction and full democratization of our country, which began on 5 April with the broad support of the people.

Economy, Industry Ministers Interviewed

PA2106155192 Lima Radio Programas del Peru Network in Spanish 1400 GMT 20 Jun 92

[Interview with Economy and Finance Minister Carlos Bolona Behr and Jorge Camet, minister of industry, tourism, commerce, and integration, by moderator Dennis Vargas Marin, Radio Programas news director; Augusto Alvarez Rodrich, editor of the Apoyo Publishing House; Umberto Jara, chief editor of the EXPRESO newspaper; and Arturo Salazar Larrain, former director of the LA PRENSA newspaper; in Lima on the "Saturday Focus" program—live]

[Text] [Vargas] Without further delay, Augusto Alvarez will be the first speaker.

[Alvarez] I would like to discuss the main topic you have been discussing this week—the Andean Pact. We have the impression that, aside from the reasoning stated in Quito, there are other important technical reasons for which you objected to the pact. If Venezuela reinstated its relations, Minister Bolona would still have his technical objections to the Andean Pact, and Minister Camet would continue to receive complaints from the business sector due to the different rhythms of the economies of the countries of the Andean region.

I want to ask: If things do not change, are we on our way out of the Andean Pact, and could our exit be formalized at the meeting scheduled in July in Caracas?

Secondly, do you not believe that, even if there may be important technical economic reasons, there may also be other problems because of the fact that Peru is beginning to feel isolated in Latin America? This isolation is proven by: the break of relations with Venezuela and Panama, the lack of a Peruvian ambassador in Brasilia, the problem of espionage in Uruguay, the fact that Costa Rica did not approve the Peruvian ambassador, the problems with Colombia because of the way Alan Garcia has been received, and the fact that there are no Peruvian ambassadors in Washington, Madrid, or London at this time. Do you not think that, even if there may be good technical economic reasons to leave the Andean Pact, it could represent a problem for the country's foreign policy?

[Bolona] I would like to mention the fact that there definitely are economic reasons for our opinions with regard to participation in the Andean Group. For instance, the common tariff and the policies we are following are more open and liberal, while the Andean Group continues to practice protectionist policies.

With regard to the harmonization of economic policies, the Andean Group, or some of its members, are thinking about a number of subsidies and are generating a commercial relationship based upon a number of distortions and not on real integration based on competitiveness.

The other important point is that, when we talk about isolation, we must remember that Peru must integrate itself into the world economy and not into a group of countries that then isolates itself from the world economy. Therefore, we must take these three big premises into account and see whether the Andean Group is responding to these premises. We must evaluate our participation in the Andean Group based on that.

Also, when we talk about the isolation of Venezuela and Panama, we must not forget that Venezuela is one of our associates. So, if Venezuela and Panama have suspended diplomatic relations, it is regrettable that one of our associates has done this. However, we must not think that we must join the Andean Group for this reason; nor should we understand it as a reason for leaving.

Therefore, there is indeed a political problem. There are also economic problems that I consider crucial, and I believe those weigh more heavily. Also, we should not forget that we must be integrated into the world economy and not be isolated from it because of integration with a group of five countries with smaller incomes. In the end, this would make us repeat the same problems that came up under import substitution.

[Vargas] Therefore, Mr. Minister, it is not true, as some analysts have stated, that the position you adopted in Quito is for the announcement of the date set for the Andean Pact's death, that Peru will be isolated or separated from the Andean Pact on 15 July, and that this position is in accordance with a concern or a complaint you have about the Andean Pact not representing any benefits for Peru. Did you say this?

[Bolona] We have been, for several months, involved in negotiations that have not advanced. I believe we are reaching a point where we find problems with the guidelines of economic policies. I believe this also happened in Chile a number of decades ago. This is a country that is advancing towards a more open policy in comparison to other countries, and this is causing more problems with regard to the country's advance.

We must evaluate benefits and costs and reach a decision based on that. I believe we are reaching a point at which the evaluation must be global and include the costs and benefits of the process.

[Vargas] Therefore, leaving the Andean Pact could be one of the decisions to be derived from that evaluation?

[Bolona] All evaluations of benefits and costs must obviously include different alternatives.

[Vargas] Thus, the answer is obvious.

Minister Jorge Camet, what is your outlook of this situation as industry minister, since the Quito meeting was essentially a meeting of industry ministers? I would like to hear your points of view as a businessman also, on the common tariff and the problem of the free trade area.

[Camet] As Minister Bolona has said, the main disagreements are due to economic policies, since we are more open and the rest of the members of the Andean Group

are more protectionists. There is even the issue of the subsidies paid within the protectionist program, and this is affecting trade within the region. Regrettably, we were not able to agree on the elimination of subsidies at the Quito meeting. We must evaluate the situation at the meeting to be held in July or maybe August. We must also evaluate their thoughts with regard to possible modifications and reach the appropriate decisions.

[Vargas] Augusto Alvarez will ask another question.

[Alvarez] I propose another topic. The Peruvian Government has evidently had a credibility problem ever since 5 April. Since then, however, the government's handling of the electoral issue has been marked by a series of problems, such as ambiguous, unclear speeches, an unwillingness to hold internal dialogue, successive changes, and vagueness. This has made the government appear to be lacking in seriousness, and it has considerably affected the country's image abroad. This is paradoxical for a government that has made reincorporation—not only in economic but global terms—one of its leading issues. My specific question is: What is this government's concept of democracy? We could suddenly find that what certain people in our society take to be democracy is not consistent with this government's conceptual views on the issue. How does the government perceive democracy,and is this where we are headed?

[Vargas] Minister Carlos Bolona will respond.

[Bolona] This is a departure from the Andean Pact issue. We are now discussing a political issue: the government's concept of democracy. Before responding, I would like to explain that I do not believe there have been speeches that were not serious, or that were ambiguous or ambivalent. I believe we have stated certain goals and dates that, unfortunately, we had to change because of a religious festival. However, the idea is to move toward a renewal and to make an institutional reform that will allow us to be more democratic.

It is very difficult to define democracy abstractly. We know there must be a balance of powers. We know there must be a lot more participation, and we know that in a democratic process it is easy to recognize if there is more democracy or less democracy. I believe this is important, and this is what we must look at over the next few months.

Now, I think of the way things were being handled prior to 5 April. Political factions controlled various branches of the state, or monopolized the political parties and a number of institutions such as the judicial branch, the Constitutional Guarantees Court, the comptroller's office, and so forth. I believe this was far from democratic. It may be democratic in appearance, but what we are saying is that we want more democracy, and we also want to correct these problems. This is our approach.

It is not easy to give a dictionary definition of democracy, but it is easy to recognize whether a system is democratic or not.

[Vargas] Of course. To avoid breaking off from the electoral issue that Augusto raised, and before Humberto and Arturo speak, I would like to pose a necessary question to you, Mr. Minister, as a prominent member of the Cabinet Council and the executive branch. I will also ask Jorge Camet. Why have the municipal elections been postponed until March 1993? I have heard an opinion from the executive branch that says it is because the National Election Board [JNE] is faced with the problem of the loss of thousands of electoral booklets and that there are a number of situations that preclude a good municipal election.

Nevertheless, the elections for the constituent congress will be held on 22 November. I would like you to explain this contradiction. The JNE is well prepared for the constituent congress elections, but it is not prepared for the municipal elections. How is the Council of Ministers dealing with this situation?

[Bolona] I would not say the JNE is well prepared. We found a JNE that left a lot to be desired in the technical area. The new JNE president is doing a very good job of attempting to deal with the situation and modernize the JNE in order to hold the election on 22 November. The JNE must deal with a series of inadequacies. It must go step by step from the census, which has not been updated and is even on tapes. These tapes should have been decoded, but they did not even have decoders. It must deal with huge problems and economic woes. Moreover, there is a logistics problem, given our situation and given the security situation. Therefore, the elections were scheduled first for 18 October and were later changed to 22 November for reasons of which we are all aware.

Were the constituent congress elections to coincide with the municipal and regional elections, the people themselves would encounter problems. This may be one of the reasons why the decision was made to separate the constituent congress elections from the municipal elections. I believe the constituent congress has its own inherent traits. It will have its own orientation, and the entire political game and [word indistinct] could be different in the municipal elections. This is one of the reasons. It is not simply a matter of delaying the elections.

[Vargas] But the elections could have been held the following Sunday. The issue is whether to hold the election prior to 31 December in order to have new mayors on 1 January.

[Bolona] I do not believe the JNE itself is prepared to do that.

[Jara] Minister, following along the same lines as the previous questions, why does the government like to delay announcements or not report them very clearly. For example, in the case of the private property tax, why was the tax reduced, a public discussion encouraged, and then the government did what everyone was requesting in the end? Why this attitude?

[Bolona] We do not intentionally report things late or at the last moment, because that creates a lot of arguments. That is not our intention. There was also a problem with this tax last year, which is always the case with taxes. It is obvious that the pocket is a sensitive area for human beings and, obviously, we are seeking ways to reduce this tax and its burden. What happens? A reduction was legally possible, and there were interpretations in both directions: whether it would be 1 percent or 1.5 percent. Apparently, the legal opinion of many lawyers favored 1 percent, which was easier to explain than 1.5 percent, although both interpretations could be argued.

Regarding which to apply, I believe the 1 percent option prevailed, which will imply a certain amount of loss. If it is a tax that could have collected $50 million, the loss may possibly be approximately $15 million, which we must find a way to make up. It is definitely not a huge loss, but we must find a way to make up for it with other taxes.

It would appear to be a reversal. However, I believe that, despite the arguments, 1 percent is legally acceptable. The decision has been made. We must fill that small gap and continue advancing the process.

[Jara] When you say the difference would have to made up with other taxes, do you mean the creation of additional taxes?

[Bolona] Not necessarily. I think it would not be difficult to make up the difference with the taxes we have collected—15 million [currency not specified] so far this year. I think the IGV [General Sales Tax] would be a likely candidate. We would have to exert more pressure and manage it better so it can make up the difference.

[Jara] Raising the rate or increasing the revenues?

[Bolona] I think we would have to increase revenues. A rate of more than 18 percent is not advisable.

[Jara] Of course.

[Vargas] The next question on Saturday Focus is asked by Arturo Salazar Larrain

[Salazar] Mr. Minister, you have stated that Peru's priority is to become part of the world economy, yet we see the world economy is comprised of an increasingly larger number of trade blocs. What kind of policy would we follow? Would we join the world economy, or start with a bloc, the Andean trade bloc, which is the closest to us and the one that has cost us the most? Referring to the same issue, you said we must assess the cost and benefits of the process. This involves two aspects of our trade balance. During the last five years, the balance has been negative for Peru. In 1991, it was slightly more than $200 million. However, it was very positive during the five years that preceded these last five years. Thus, how can we assess the costs-benefits of these two different realities?

[Bolona] There are two issues in the question. One refers to the blocs. If we review our trade and our trade partners, you will see they are precisely these blocs. Thirty percent of our trade is probably with the United States. Another 30 percent is with the European bloc. Another 30 percent is with Japan and Southeast Asia. The rest is with the Andean Group and other Latin American countries. Right? Therefore, the question is: Will we divert trade or fail to join those blocs in an attempt to increase our trade with Andean countries, and how will we do it? Will they make their purchases through subsidies, or will we have to enforce tariffs to protect ourselves from one another? I think this represents a big problem. In our attempt to join the blocs and implement the tariffs and subsidies system, we might end up joining a five-country bloc and becoming estranged from the world. In other words, we would isolate ourselves—as a nation and as a community—from the rest of the world.

This happened to Singapore, which comprised a bloc with the Federation of Malaysia. It had to break that bloc with Malaysia because it opted for an economic bloc with the United States. The market offered by its neighbors was small compared with the market that the U.S. bloc could offer. That is what we have to consider.

[Jara] Minister, are you implying a fifth part of the market is preferrable to the whole market? The Andean market represents the whole market. Do you mean a single country in the Andean market is much more capable of joining the world economy and deriving much more benefits on its own?

[Bolona] Yes. It is not a matter of being one country or a bloc against the rest of the world. The problem is that one isolates oneself from the rest of the world by joining that bloc. That is the problem.

[Jara] I see.

[Bolona] Much higher and more protectionist tariffs will be implemented, thereby isolating us from the world. Five poor countries may unite, forsaking the rest of the world. Chile implemented this. Chile assessed the situation and asked: What do I prefer, joining the Andean Group or joining the rest of the world? It preferred the rest of the world. Chile is now exporting three times more than we are because the purchasing capability of 100 million inhabitants versus the purchasing capability of 3 billion inhabitants is different.

[Jara] At the next meeting that you attend, are you going to attempt to standardize the common tariff? Are you going to try to do something about this? This, of course, would eliminate Andean mercantilism, which in truth is what harms Peruvian industry. Are you going to fight for this, or do you simply think it is better to withdraw from the Andean Pact?

[Bolona] I believe that there already has been a fight on the common tariff for six months. Our policy is for a uniform tariff, that is, we require an almost flat tariff.

This is what we have been striving for: 15 percent. We currently have a 15-25 percent level. What the Andean Pact is proposing is 0, 5, 10, 15, 20 percent and so on, up to 44 percent. And this is not all. It is also proposing-....[pauses] because if a technical tariff of four levels is reached, we might eventually accept this. What the Pact is proposing are 0 and 5 percent tariffs on products that are not produced. As a result, 1,000 items would have 0 to 5 percent tariffs, and then the protectionist levels would rise significantly.

The fact is that this is more an import substitution model, but with production levels lower that 10 years ago. All in all, it is still far removed from a uniform tariff.

[Alvarez] I have a question for Minister Jorge Camet. At Apoyo Publishing House last week we conducted a poll in the industrial sector. The poll's final results will appear in SEMANA ECONOMICA. There was one question that was very interesting. The industrialists were asked: If there was a sudden increase in demand in the very short term, would companies encounter serious problems in increasing production very quickly. A total of 57 percent of the companies questioned replied that they would encounter problems in increasing their production if there was a sudden incease in demand.

Among the most serious problems pointed out were the energy problem and the problem of financing. My question is: What is the government's position regarding these two problems?

[Camet] The energy problem is widespread and is dependent on nature. This will take several months to resolve through the installation of a thermoelectric system. This also creates problems with shift work in the companies because of the energy rationing. What was your other question?

[Alvarez] The other question was on financing.

[Camet] With regard to financing, we are currently negotiating with CAF [Andean Development Corporation] to obtain credit. In this regard, when we grant these credits....[pause] I want to repeat this once again. I want this to be very clear. It will be up to the companies that are making efforts to modernize to become productive and become efficient. We are going to be very strict in analyzing the companies in this regard. We are even considering talking this over with the banking sector. In addition, we want lower interest rates and for the spread to be small. Interest rates are too high and are therefore detrimental to the companies.

[Alvarez] I have another group of questions for Minister Bolona.

There is currently a perception that the economic stabilization program has started to get bogged down, at least in the short term. Furthermore, inflation continues uncontrolled. This month it will be 4 percent; by the middle of the next month it will be 2.5 percent. There is a fear that it is impossible to recover from the lag in the exchange rate without triggering a new outbreak of inflation. The lag in the exchange rate is almost to 40 percent by now. The need for public revenues requires us to continue anti- technical taxes [impuestos anti-tecnicos], and the financial system is facing serious solvency and cash problems.

Under these circumstances, the growth forecasts for 1992 that can be made at the end of the first quarter are quite different from what was forecasted at the beginning of the year. At the beginning of the year, there was a general consensus that in 1992 there could be 2.5-3.00 percent growth. Nevertheless, new circumstances arose, such as: El Nino, which had stronger results than were expected; the energy problem; the possible closing of companies; and a problem of unfulfilled expectations. All of this leads us to foresee another year of negative growth.

My question is: What is your estimate of the economy's growth in 1992. Also, in light of these new factors, do you not think it is time to reconsider some of the elements of the economic program, in the short term, without changing the overall picture? Somehow, all of this should be taken into consideration in a renegotiation with the IMF in order to reach a more realistic agreement that would take into account these new factors that have arisen in the economy. Would you be willing to renegotiate with the IMF before the end of the year?

[Bolona] Your question has several parts, so let us talk first about growth. True, the growth that originally was planned of 2.5- 3.00 percent will be affected due to a number of reasons. There is El Nino—as was mentioned before—the problem of energy supply, and the problem of production. Then, there is also the 5 April institutional reform that also delayed the flow of capital that we are just recovering now. These are all a series of new incidents that are affecting the economic program. The economic program, in its crucial aspects, is that fiscal and monetary discipline have to continue. The tax reform must continue. On key prices we have to continue making progress. We must continue progressing in the area of interest rates; these rates must be reduced.

We attempted this in March. They went down some points, and then the cash problem pushed the interest rates up again. We have to lower the interest rate somehow. We are strengthening the Banking and Insurance Superintendency because this is a crucial institution. We have to increase its technology to make true adjustments in the financial sector, which has the banking system, the insurance sector, the savings and loans, and the cooperatives under its umbrella. This is crucial. We must crack down on these sectors to restructure the financial system. The sooner we do so the better.

Second, let us talk about the exchange rate. We have definitely achieved parity. But, the idea is not to say that we have certain amounts accumulated here... [pauses] and that 40 percent that you mentioned, that you say we must recover. No, not at all. We are not only working

with the numerator; we also have to work with the denominator. That means that the companies have to adjust their costs. In addition, we also have to see what extra costs we are generating to lower the exchange rate. We must work with the numerator and the denominator. It is not a matter of only taking into account the numerator in the nominal exchange rate in order to make the necessary adjustments. We must continue working on this. We have been flexible in this aspect, and we must continue to look for ways to arrive at that point.

With regard to price control, the control on the price of fuel has been removed. That is very important. This is a very important step forward because this allows us to deregulate the fuel sector, which in turn permits us to privatize and to then break the Petroperu [State Petroleum Agency] monopolies. I think this is vital, and we are progressing in this aspect.

We also have to continue with the structural reforms. We have not found flexibility in the labor sector. This must be corrected. As long as we do not correct this, we will continue bogged down with regard to the extra costs in the companies.

Now, regarding the opening of markets in the health and agricultural sectors, we must continue this policy. We cannot believe that we are in a totally open market. Not at all, we continue to have tariff [word indistinct] and that does not allow the inflation rate to decrease with any rapidity. The inflation rate could be between 3.5 and 4 percent this month, a little more than last month. There has been an increase in transportation rates; this is a large sector, therefore it does affect the inflation rate. We are trying to keep the inflation rate at around 3.5 to 4 percent. What is important here is for the trend to be on the down side. To achieve this we must make further structural reforms and reduce business costs; this is vital.

[Vargas] Mr. Minister, about your answer to the lifting of the price controls on fuels, I would like to go back to Alvarez' question. If Petroperu alone sells fuel in the nation, what deregulation are we talking about here? This is a kind of monopoly. Where is the competition? Who else sells that can say, I will sell the gasoline at a lower cost. Or, do you have a scoop to give us here?

[Bolona] The main point here is that Petroperu is the one with the monopoly, and the state is deciding the prices, in some cases below international rates. If a monopolizer sets prices at below international rates—whether the state or Petroperu—in the end both are monopolizers. No one, no matter how much freedom to import may exist, will import this product, because of unfair competition. Now that international prices are fixed, prices can be lowered, and imports can be made because an international rate has been established.

[Vargas] Will we then be subject to fuel prices that are generally higher?

[Bolona] No, not necessarily, the prices do not always go up. In some cases, the prices are equivalent to international rates. What is important is that....

[Vargas interrupts] At least the prices will be equal to....

[Bolona interrupts] The prices will be equal. What is important here is for competition to exist so that imports can be made. Before, imports could not be made. Before, it was the state or the Petroperu monopoly that was distorting fuel prices.

[Vargas] Are we going to renegotiate a new agreement with the IMF in the near future? Or, are we going to wait until the end of the year for this?

[Bolona] It is still feasible to achieve our June goals, we had a margin. To achieve our goals in September we need international cash flow, from the IDB [Inter-American Development Bank], for example. This cash flow is important to meet out September goals. Between September and December we will be needing the additional IDB cash flows for financing, etc. We will have to see how the disbursements are coming along, if they are feasible. Between September and December we will have to assess the situation, and based on that, we would then talk with the IMF. Now, we are on the right tract with regard to the revenue portion, that is, not to finance costs by printing money. We are also on the right track insofar as monetary discipline. There could, however, be a problem with the disbursements.

[Vargas] It is Jara's turn now.

[Jara] Minister Bolona: You made reference to reinforcing the Banking and Insurance Superintendency. In the past few days there have been difficulties in some of the savings and loans. What is the government going to do with those officials who clearly have been involved in fraudulent activities that have dragged some of the savings and loans into bankruptcy, or put them in the difficult situation they are now facing. Are you going to take some definite steps in this regard?

[Bolona] Yes, definitely. Some officials have already been identified; they are now under prosecutors' orders and criminal charges are going to be pressed against them. In a number of savings and loans there have been fraudulent operations, and this cannot go unpunished. These fraudulent operations have driven a number of financial institutions into bankruptcy, and this has been detrimental to the small saver. There is no reason for the small individual saver to come out a loser because he trusted a system that, because of mismanagement and embezzlement of funds, has created a crisis in the savings and loans, in the financial sector....[pauses] in some institutions of the financial sector.

[Jara] Will there be some definite government action so that this reaches the highest levels, or is this simply going to be left in the hands of the judiciary?

[Bolona] This has to be a joint government-judiciary action. We cannot act independently in this regard.

[Vargas] The last question will come from Arturo Salazar Larrain.

[Salazar] Mr. Minister, do you know you have been given a nickname. You have been designated the cashier minister. This is quite a bleak nickname because lately, we only hear about taxes from you. You have the power to present taxes. Are you engaged in matters other than extracting money?

[Bolona] The finance and economy minister must definitely be a cashier. We must not deceive ourselves, the public treasury is one of the main problems. But, there are other facets to my position. When [Peru] had to be reinserted [in the international financial community] I played an important role there. When some models and variations became necessary to avoid the blocking of the reinsertion, ways had to be found to once again open the door for reinsertion. No taxes or cashier matters were involved. When Minister Jorge Camet had to make his presentation in the Andean Group, I was there. When the economic policy [was being determined] or the interest rates had to be reduced, or the financial sector had to be restructured, I was also there. As far as other structural reforms, I am the one who is fostering a number of structural reforms. Therefore, my role is not only as a cashier. It would be quite an easy thing to say, I will only take charge of the cash flow and let the rest of the policies go as they may. I think that the economy minister not only has to watch over the store, but he also has to watch over the economy and economic policy, and this is precisely what I have been doing. This includes the stabilization program, structural reforms, and reinsertion. One must even participate in security matters because, to obtain financial resources, the security issue is very important. So, there do exist other facets.

[Salazar] Thank you very much.

Economy, Energy Ministers Interviewed

PY1806231492 Lima EL COMERCIO in Spanish 7 Jun 92 p F1

[Interview with Economy Minister Carlos Bolona Behr and Energy and Mines Minister Jaime Yoshiyama Tanaka by J.Z.T.; place and date not given]

[Text] [EL COMERCIO] What will be the procedure for privatizing with foreign debt bonds? What about the dangers of monetary issuance?

[Bolona] There is nothing to fear because we will never resort to the Central Reserve Bank or curtail liquidity in financial markets. The party interested in one company will pay, let us say, half in cash and he will be awarded the bid whenever he submits as many foreign debt bonds as possible. I receive the promissory notes and I shred them. By doing this, I eliminate the short-term debt and shrink the number of state-owned companies, in keeping with the people's will.

[EL COMERCIO] Does this mean that the "money-printing machine" will continued to be closed?

[Bolona] You can be sure of it.

[Yoshiyama] The important thing here is that the bonds will be received at the prices fixed by the market, which are currently around 17 to 18 percent.

[Bolona] Our current problem is that the value of the bonds is increasing as the political scene is becoming clearer.

[EL COMERCIO] Have other operations or proposals recognizing the bonds at 100 percent of the market prices been discarded?

[Bolona] Yes. All companies, financial and nonfinancial, are eligible for privatization with bonds but, let me reiterate, at the international market prices.

[Yoshiyama] For the time being, we are restricted to the short-term debt in the hands of commercial banks, which is about $800 million. Therefore, the ceiling is the quantity of short-term bonds in the markets and the banks.

[EL COMERCIO] Could you explain the difference with the procedures used by other countries?

[Bolona] In Mexico the Central Bank's monetary program was used, and in Chile the financial market's large "pool" was used. But since we could not print money and we do not have a large financial market, we decided to implement this system, which I believe is the best under the current circumstances.

[EL COMERCIO] What was the answer from investors in New York?

[Yoshiyama] We are showered with offers but we must study them carefully. In this regard we have good consultants. For example, in the international bidding to sell Hierroperu [Peruvian Iron Mines Enterprise] we have the support of First Boston Corporation, which is the main merchant bank specializing in privatization. This bank participated in privatizations in Israel and Argentina. This is only an example of the most important ones. This is being done to ensure the clarity and cleanliness of the operations. In New York we held a marathon of talks with potential investors, who were very interested after the institutional and economic policies were defined. We will see the answers in the international biddings in the next few months.

[EL COMERCIO] Is the companies' value a key factor?

[Yoshiyama] Certainly. We are basically concerned about their good financial situation. Let me mention the case of the Condestable Mine, which was sold above the price we expected. There is a golden rule on the value of companies here in Peru. The Condestable case goes beyond what we expected. This pleases and encourages

us to go on with the privatization. The good signs surrounding the auction of state shares in the Commerce Bank also are encouraging.

[EL COMERCIO] Let us discuss the issue of the day. What is the essence of the privatization of the State Petroleum Agency [Petroperu]? Why will the service stations be first?

[Yoshiyama] Let us recall that there is no longer a monopoly on oil and its by-products. The privatization of all Petroperu operations has been decided. We started doing first things first. We believe that this is the best way to have modern and efficient service stations in the short term. In addition to that, future service station owners will be able to sell even foreign gasoline because they no longer have the obligation to buy it from Petroperu. Therefore, there is no reason to insist on monopolies or privileged situations.

[EL COMERCIO] How can foreign gasoline brands be sold in Peru if they do not have storage plants here?

[Yoshiyama] The second step is the sale of the Petroperu storage plants located throughout the whole territory. Foreign companies that produce fuels may buy these plants and supply the gasoline station owners. Petroperu will have to compete with the foreign brands, respecting the law.

[EL COMERCIO] But Petroperu's refineries are old; how will they face this challenge of technological innovation?

[Yoshiyama] The goal is to specialize in certain products, for example, similar to the cases of Singapore and Curacao. Operating refineries that refine all kinds of by-products is expensive. Our backwardness in the refining field is really incredible. It will have to be paid for by the private sector. The government has no resources for this. The few resources we have must be used for schools and hospitals.

[EL COMERCIO] Would it be redundant to ask whether the economic plan will be maintained?

[Bolona] The economic program will continue stressing the gradual recovery of the exchange rate, without any shocks. The concepts are fiscal discipline, increasing tax collections, reducing the state apparatus, and privatizing everything.

[EL COMERCIO] Is there any possibility of rescuing banks or businesses affected by debts?

[Bolona] Not at all. Those are vain attempts. We have discussed this but nothing near saving "heavy" debts. There are other priorities. The surplus resources will be used to cover the gaps we have in the fields of social assistance, education, health, reopening of schools, and services for the less-favored sectors. By the way, I think that Rudiger Dornbusch's (renowned German-American economist) idea of using the money obtained from the sale of public companies to benefit the poor is very interesting.

[EL COMERCIO] This is a year of transition, few sales, stagnation, etc. Don't you think it is unfair to add additional costs to productive activities, like, for example, the supervision of imports?

[Bolona] If the complaint comes from those who always complain, I would not pay attention to them, but if they come from producers who pay their taxes, it is a different matter. We are evaluating the service offered by the supervisory companies. In principle, competition should make the supervisory companies' prices drop. We only implemented this system a month ago.

[EL COMERCIO] The concrete point is the apparent cascade effect caused by the price of the supervisory service. We know that a producer buys raw material for 12 months. The raw material is controlled by the authorized supervisory company, but in every dispatch in a Peruvian port, it charges a 1 percent fare.

[Bolona] We will investigate the circumstances. I insist: We are evaluating it. Our objective is to avoid the undervaluation of the imports at the lowest possible cost for the honest importers and producers.

[EL COMERCIO] Most businessmen accept the transition to an economy without distortions, but they reject additional costs. Do you agree with this?

[Bolona] There are temporary fiscal problems that force us to charge taxes and that create additional costs. We intend to gradually eliminate them.

Municipal Officials Oppose Date for Elections

PA2306041992 Lima Global de Television Network in Spanish 0100 GMT 23 Jun 92

[Text] Mayors, assembly members, and mayoral candidates stated their position on 22 June regarding the government's decision to suspend until a later date the municipal and assembly elections that were originally scheduled for Sunday, 8 November. At a news conference held at the Miraflores Municipality, the municipal officials called the postponement of the elections unconstitutional. They announced their rejection of any mayor imposed by the government [word indistinct] after 31 December. They also called on the Armed Forces to respect the municipalities as the social and participative foundation of the Peruvian people.

Miraflores Mayor Alberto Andrade Carmona, who served as the host, asked that talks be held with President Alberto Fujimori to lift the impasse. Arequipa Mayor Luis Caceres Velasquez, candidate in the Lima Municipality, spoke next to announce a civic movement was created to defend municipal elections nationwide.

[Begin Caceres recording] As the mayor of Arequipa, I will take the appropriate steps regarding the elections.

We will urge the people to rise out of their lethargy. We are not a country of eunuchs. We are a country where there are Peruvians with honor and dignity, where there are Peruvians who are struggling and will continue to struggle for the development and progress of their fatherland. We do not want to be considered inferior. [end recording] Michel Azcueta, metropolitan assemblyman and current candidate for Lima mayor, asked the Armed Forces to provide more protection for the lives of municipal officers and assembly members all over the country. Over 1,000 municipal authorities have been killed in the past 12 years of fratricidal war.

[Begin Azcueta recording] There is still time. That is why, the Lima mayor and assemblymen, the Arequipa mayors, and the province mayors are voicing their concern about this matter. There is still time to solve the problem and have the humility to roll back this decision, which as far as we know was made by one person. [end recording] To conclude, Surco Mayor Manuel Caceda, in reaffirming his colleagues' stance, said no municipal official will remain in his post after 31 December.

[Begin Caceda recording] As you know, we reached the unanimous decision not to remain in our posts after 31 December. Because elections will not be held, and no mayors will be chosen, the local governments will be vacant.

[Andrade] We, who have been elected to office by the people, respect the people. We are of humble descent. We are a part of the people, and that is what is important and what we want to defend.

[Unidentified reporter] The government decision to postpone the elections until a later date has been described as a mistake. Talks, however, has been mentioned. Will you be willing to hold talks with the president to find a solution?

[Andrade] Of course. We are asking for talks. We want to hold a meeting to explain our reasons. Those who have never been assembly members and mayors cannot understand the problems of the municipalities. We do want to tals. [end recording]

FAP Takes Control of Tocache Airfield

PA2306043992 Lima Global de Television Network in Spanish 0100 GMT 23 Jun 92

[Communique issued by the Air Force Information Directorate in Lima on 22 June]

[Text] A Peruvian Air Force [FAP] detachment took control of the Tocache airfield on 22 June in accordance with Decree Law No. 25-426 dated 24 April 1992, whereby the FAP assumes control of the airports and/or airfields in the El Huallaga area and other areas where coca leaves are grown. As of 22 June, all airplanes that take off from the Tocache airfield or have flight plans to that airfield will have to comply with the security measures mandated by the FAP authorities through official communique No. 004-92 FAP, dated 23 April 1992. The text was published in the official newspaper EL PERUANO on 24 April 1992.

[issued] Lima, 22 July 1992
[signed] FAP Information Directorate

Venezuela

Senator Warns of Threat of New Rebellion

PA2306034992 Paris AFP in Spanish 2126 GMT 22 Jun 92

[Text] Caracas, 22 June (AFP)— If "Venezuelan leaders do not stop using their privileges inappropriately, the people or the military will rebel" to eliminate these privileges, Pedro Pablo Aguilar, an influential Christian Democratic leader, warned on 22 June.

In the 1970's, Senator Aguilar was the leader of the second most important party in the country, the Social Christian Party (Copei). Three months ago, he was at the head of the Consultative Council of outstanding persons who presented recommendations to the government to overcome the crisis that exploded when young officers rebelled on 4 February.

In the last few months, several political leaders and even some religious leaders—in addition to General Fernando Ochoa Antich, former defense minister and current foreign minister— have made similar warnings.

Nonetheless, social democratic President Carlos Andres Perez has ruled out the possibility of a new coup, even though he admitted subversive groups are promoting street disturbances, similar to the communist-inspired violence the country experienced in the 1960's.

During last weekend's news conference, Perez said: "There will not be a coup d'etat in Venezuela. The last blow of that old coupist tradition in Venezuela took place in February."

Aguilar feels that "what happened in February emphasizes that Venezuela is experiencing the most severe political crisis of its modern history." The senator stated: "I know what is going on inside the political groups, and I have a feeling the leaders, not only the political leaders, are going to have to relinquish voluntarily several undue privileges to save the democratic system."

He then stressed: "I am convinced that if the Venezuelan leaders do not contribute and stop using their privileges inappropriately, there will be a rebellion of the people or of the military, who will establish a situation in which these privileges no longer exist."

Aguilar added that "the current situation could continue indefinitely. It is also having repercussions on the economy of the country, and it is becoming unbearable."

Business groups, labor unions, the clergy, political parties, government officials, and members of parliament

began last week to seek a "national agreement" that will avert the crisis. The Pro-Venezuela Association, made up of nationalist entrepreneurs, has been entrusted with calling for this national agreement.

The resignation of Perez, whose term ends February 1994, is demanded by some of the groups that are attending the meetings to prepare for the agreement, but the president has said and reiterated that "I will not be so cowardly as to resign."

Government Says Telephone Strike 'Illegal'

PA2306025992 Caracas Venezolana de Television Network in Spanish 0000 GMT 23 Jun 92

[Text] According to Fernando Martinez Mottola, the transport and communications minister, the strike being staged by a group of National Telephone Company of Venezuela (CANTV) employees is illegal and is delaying efforts to improve service at a national level.

Mottola said this small group of strikers is mistaken because the group contract is still in effect. The contract states there will not be a wage increase until it expires.

[Begin Martinez recording] The executive branch, through the Labor Ministry, is calling for a dialogue between the parties and is seeking a solution through a reconciliation, which is the proper thing to do at this time. As for the points under discussion, they do not have the characteristics of a conflict. A very small group of strikers are the ones trying to turn this into a conflict. The dialogue is open. The Labor Ministry wants the talks to continue, but we are not going to allow the strikers to suspend a service that is fundamental for the country. We are not going to allow them to suspend service through violent methods or to sow unrest among the majority of company employees. [end recording]

Meanwhile security officers continue to protect the workers still working at CANTV, as well as the technical equipment.

In other CANTV-related matters, we have a report that National Guardsmen were sent to protect the installations of the telephone company to prevent any violent action by those on strike.

A total of 17 guardsmen took positions in different offices as most of the employees were coming to work. The leaders of the telephone company union continued to demand the fulfillment of the group contract agreements in a meeting held by Labor Minister Ruben Rodriguez, a CANTV representative, and a labor union leader.

After a 30-minute meeting, Labor Minister Rodriguez had to leave the meeting to attend other previously scheduled appointments.

Alfredo Ramos, secretary general of the CANTV Labor Union, said they were willing to hold a dialogue to continue working for the company, but the group contract should be fulfilled.

[Begin Ramos recording] We have yet to reach an agreement. We hope the three basic things we are requesting are approved. We are requesting a wage increase offered by the company by 31 July; we are also reporting the violation of 24 group contract clauses; and we want the annulment of the dismissal of the three labor union leaders. [end recording]

The meetings will continue on 23 June at the Labor Ministry, according to reports provided by Alfredo Ramos, president of the CANTV Labor Union.

* Army Chief of Staff on Guerrilla Groups

92SM0429A Santa Fe de Bogota EL ESPECTADOR in Spanish Section D, 24 May 92 p 3

[Interview with Major General Ivan Dario Jimenez Sanchez, Venezuelan Armed Forces chief of staff, by Nelson Freddy Padilla C.; place and date not given—first seven paragraphs are EL ESPECTADOR introduction]

[Text] Bandera Roja [Red Banner], Venceremos [We Will Triumph], and Tercer Camino [Third Path], three extreme leftist groups, are making preparations in Caracas and in the eastern mountains of our neighboring country to achieve what the military was unable to accomplish last 4 February—to seize power by force. The chief of the Venezuelan Armed Forces General Staff has been meeting with the Colombian military leadership in order to prevent any linkup with the CNG [National Guerrilla Coordinating Group].

The history of guerrilla forces in Venezuela has not been as insignificant as might be thought. On the contrary, it has made its mark both in the limited mountain areas of this neighboring country and in the streets of Caracas.

The Bandera Roja movement is an example. Its existence began at the same time the Army of National Liberation emerged in Colombia more than 20 years ago. It eventually established urban networks in Caracas, but 15 years later it signed a peace agreement resolving the conflict with the government and became the present political Movement Toward Socialism.

Now Major General Ivan Dario Jimenez Sanchez, the chief of staff of the Venezuelan Armed Forces, has revealed that former guerrilla fighters have revived the name and the principles of Bandera Roja and have recently returned to the mountains to launch the struggle for power via the armed path.

In a matter of days, the newly reborn Venezuelan guerrilla forces established what is known in Colombia as the Coordinating Group. Bandera Roja has been joined by Venceremos and Tercer Camino, also extreme leftist groups, which have brought in additional guns.

These and other realities in this neighboring nation were discussed by General Jimenez, a leading military figure, who is confident that, given these circumstances, the Venezuelan military establishment has reason enough for concern about these new centers of violence to undertake preparations for a drastic new attempt to bring down President Carlos Andres Perez.

This high-ranking official met for three days this week with the Colombian military commanders on the highest level to warn them about this situation and to prevent the National Guerrilla Coordinating Group from making contact with its counterpart in Venezuela and posing a threat to frontier security.

[Padilla] You speak of complete normalcy within your Armed Forces, but even so, rumors about a coup d'etat continue to circulate. To what do you attribute this?

[Jimenez] Since the very day of the military uprising last 4 February, there has been talk of a coup d'etat. These are the normal rumors provoked by this kind of action or attempt. Venezuelan military intelligence is constantly on the alert for any new plots of this nature, and we have found none. I believe, then, that complete normalcy prevails, and the proof is that I am here in Colombia. The commander of the Air Force will arrive within a few days, and General Ochoa Antich, who is the current minister of defense, may come here in the early days of June.

If we had the slightest idea that something was developing, we would not be leaving Venezuela. However, we have confidence in our forces and in our absolute control over them.

Obedience and Discontent

[Padilla] What, then, is the present position of the men under your command as far as the government of Carlos Andres Perez is concerned?

[Jimenez] The position of the Armed Forces regarding President Perez is the proper one for democratic armed forces. And ours, like those in Colombia, are obedient troops, not a decision-making body, and therefore the president can rely on our total support of the policies he is implementing.

[Padilla] But what, then, is the meaning of the statement released in the last few hours by the minister of defense to the effect that there is military discontent on the captains' level?

[Jimenez] I am not certain that General Ochoa said that there is discontent on that level, but neither can I venture to deny it. We had a problem of rebellion among the officer ranks of lieutenant colonel, major, captain, lieutenant, sublieutenant, and sergeant. This movement was brought under control, and at this time everything is completely normal. Of the few captains who participated in the rebellion, some are still incarcerated, while others have been released because their participation could not be proved. But when we have 1,000 captains, and 10 or 15 of them plan to do something, this does not mean that we have a problem.

Missing Weaponry

[Padilla] During the frustrated coup d'etat in February, many weapons disappeared. Where did they end up? Are they being transferred to Colombia?

[Jimenez] There is no doubt that on that same day, the 4th, some of our weapons disappeared. I do not have exact figures, but the majority of them were recovered. However, eight days later, a theft was committed by an Army lieutenant, who took 76 SAL rifles and some ammunition. Even so, I do not believe that these weapons went to Colombia. We believe that they are still in Venezuela and that our subversive forces may be using them. We have information that they are beginning to appear again in the eastern part of the country and in the hands of people in the 23 February sector of the capital.

[Padilla] As if this were part of the reactivation of the guerrilla groups?

[Jimenez] Yes. Our most recent information is that after 4 February, radical Venezuelan groups came to believe that guerrilla warfare is the only way of seizing power by force, and so they are trying to regroup in the mountains. We are now launching operations in an effort to frustrate their attempted coup.

[Padilla] But who are the promoters, and what are the special characteristics of the movement?

[Jimenez] For the time being, I can tell you that there are former guerrilla fighters involved, and we have information that they belong to the Bandera Roja, Venceremos, and Tercer Camino groups. This last group operates in the urban zone of Caracas, but we know that it is cooperating with the other two. We do not have exact figures of the number of members. We have indeed seen small groups mobilizing in the mountains, and the peasants are alerting us, as well.

The military strength of these groups is based on SAL rifles, other long-barreled weapons, and pistols. However, they have no high-powered weapons, nor have they perpetrated any attacks.

[Padilla] Are any of the military personnal linked with the uprising in February involved with the rebels?

[Jimenez] No. The leaders of the attempted coup are all in prison, and none of our military personnel is involved there. On the contrary, our forces are in training to combat them.

Binational Guerrilla Forces

[Padilla] What relationship or influence is there between these centers of guerrilla activity and the subversion in Colombia?

[Jimenez] I would not categorically deny the possible existence of either of these two things. We do not know now if there is any contact between the two. It is probable that there is, but to date we have no confirmation.

[Padilla] You say that this reactivation of the guerrilla forces is alarming, but is there a danger where Colombian subversion on the frontier is concerned?

[Jimenez] Well, in terms of a threat, no. The Colombian Armed Forces, like those in Venezuela, are maintaining complete control over the situation. By this time last year, we had had more than 20 kidnappings on the frontier, while thus far this year, there have been fewer than half that number.

[Padilla] Isn't this effort somewhat pointless, in view of the continuing traffic in weapons and drugs?

[Jimenez] In the course of recent years, there has been weapons smuggling not only from Venezuela, but from Central America, the Caribbean islands, and many other places as well, because of the volume of uncontrolled weapons that exist in the world today. At the meeting with the commander of the Colombian military forces, General Roca Maihel, we established that this weapons smuggling does exist, but on a small scale. I do not believe that the weapons traffickers are dealing with the drug traffickers. We have investigated this in Venezuela but have been unable to discover any such organization.

No Weapons Deals

[Padilla] Do you have any information about negotiations for weapons on the part of the Colombian guerrillas while the peace dialogues were under way in Caracas?

[Jimenez] Absolutely not, because they had no ability to do this and also because we are certain that the quantity of weapons transferred was minimal. And while they were in Caracas, they were not able to arrange even a contact.

[Padilla] Omar Baralta, the presidential commissioner for frontier affairs with Colombia, said this week that there should be a political and military solution to the Colombian guerrilla problem. What is your opinion on this?

[Jimenez] I believe that these two types of solution are necessary for any war. You can triumph in a military sense, but if there is no political solution, nothing is achieved. The armed victory must come first, however.

[Padilla] Where drug trafficking is concerned, is Venezuela, apart from being a transit area, being used to establish laboratories and clandestine landing strips?

[Jimenez] Drugs pass through Venezuela from Bolivia, Peru, Ecuador, Brazil, and Colombia. It is very difficult to prevent this. We would need to have airplanes in the air 24 hours a day. However, we are indeed reducing the transit of drugs. Currently we are planning an operation with our own and U.S. aircraft in an effort to use radar to determine the volume of illegal traffic and the number of clandestine landing strips we may have on or near our frontiers. We have done this with Colombia, and extensive plantings of marijuana and coca have been discovered. We are now experiencing the best relations we have had between the armed forces of the two countries in the past 10 years.

[Padilla] Why have dozens of Colombians who reported mistreatment, especially in the La Guajira Zone, been deported from Venezuela in recent weeks?

[Jimenez] I have no information that such mass deportation is occurring. It is not our habit to do this. I am sorry I am unable to answer your question.